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Palestinian soldiers in West Beirut training a SAM-7 missile on Israeli jet fighters conducting air raids on the city Saturday.



An Israeli Phantom jet falling in flames into the Bekaa Valley after it was hit by Syrian missile fire on Saturday afternoon.

Arafat Said to Recognize Israel, But Doubts Are Voiced on Intent

Compiled by Our Staff From Dispatches

BEIRUT — A U.S. congressman said Sunday that Yasser Arafat, chairman of the Palestine Liberation Organization, accepted all United Nations resolutions on the Palestine question, including the right of Israel to exist.

Rep. Paul N. McCloskey Jr., Republican of California, told reporters after meeting Mr. Arafat that the PLO leader had signed a paper indicating his acceptance of the resolutions.

But a senior Israeli official denounced Mr. Arafat's action as a "shoddy propaganda play" aimed at gaining a political victory for the PLO in the midst of its military defeat.

And another member of the congressional delegation, Rep. Elliott C. Levitas, Democrat of Georgia, said the document was not a breakthrough and called Mr. Arafat's action an effort to win time for PLO guerrillas trapped in West Beirut by Israeli forces.

A key question that remained about the document was whether Mr. Arafat's acceptance extended to UN Security Council Resolution 242, which is the cornerstone of U.S. policy in the Middle East.

Resolution 242, which in the past has been rejected by the PLO, does not refer to the Palestinians but merely mentions a refugee problem.

Rep. McCloskey said: "Mr. Arafat accepts all UN resolutions relating to the Palestinian problems."

He said Mr. Arafat had met the conditions for U.S. recognition of the PLO and told reporters he would recommend that Secretary of State George P. Shultz open negotiations immediately with the Palestinian group.

Chairman Arafat has signed for us his acceptance of all UN resolutions which include the right of Israel to exist," Rep. McCloskey said.

Rep. McCloskey showed reporters a document on which the congressman had written: "Chairman Arafat accepts all UN resolutions relevant to the Palestinian question." It was signed in black ink: "Y. Arafat, 25-7-82."

The California said the signing of the document meant that Mr. Arafat had accepted Resolutions 242 and 338 of 1967 and 1973, which call on Israel to withdraw from occupied Arab territory and implicitly recognize Israel's right to exist within internationally recognized, secure borders.

As Rep. McCloskey displayed the sheet of paper to reporters, he said: "I wrote it down to be absolutely clear on it."

Mr. Arafat, dressed in army fatigues and carrying a .38-caliber pistol, smiled broadly when Rep. McCloskey made the announcement after a 75-minute meeting at a West Beirut PLO office.

"Yes, all resolutions concerning the Palestinians," said Mr. Arafat, nodding emphatically.

In denouncing the document, the senior Israeli official said, "It is not what the Americans asked them to do. I am afraid Mr. McCloskey came in there with the idea he'll get something from them, approach them in a different way so it will enable the United States to talk to the terrorists."

The official said that by grouping all United Nations resolutions together, including General Assembly resolutions, "you'll have nothing."

"The UN resolutions include calls condemning Zionism as racism, giving the Palestinians the right of self-determination, and even include partition according to the old pre-1947 lines," the Israeli

official said. "The issue is very simply: Do they openly recognize Israel's right to exist and Security Council Resolutions 242 and 338?"

Mr. Arafat has indicated that he wants the Reagan administration to enter into a direct dialogue with the PLO as a political price for agreeing to leave Lebanon and transform his guerrilla organization into a political movement.

It remained to be seen, however, whether Mr. Arafat had in fact met the U.S. conditions for starting a direct dialogue. According to a U.S. policy in effect since 1974, the PLO must recognize Israel's right to exist and accept specifically Resolutions 242 and 338, which outline a settlement of the Middle East conflict.

Whether Mr. Arafat meant to include Resolution 242 in his statement was unclear.

Various PLO leaders in the past also have said that PLO acceptance of various Middle East peace proposals that spoke of Israel's right to exist were tantamount to accepting explicitly that right.

Israel, however, has insisted that the PLO must explicitly accept its right to exist and remove a section of its covenant that calls for the replacement of Israel with a secular state in Palestine.

The White House and State Department had no immediate comment on reports of the signing. "We are studying it and have no comment at this time," said Tom Homan, a State Department spokesman. "We are checking with our embassy to find out precisely what occurred."

Rep. Levitas said in a telephone interview: "It is absolutely nothing new. It is purely a propaganda effort. He added that it was an effort to avoid the basic issue of whether the PLO will recognize Israel's right to exist."

Rep. Levitas, who said he was not present at the signing but had seen the document, reported that it accepted "all relevant United Nations resolutions" on the Middle East.

But he said it was phrased in such a way as to refer not to Security Council resolutions affirming Israel's right to exist, but to General Assembly resolutions already rejected by both Israel and the United States.

In Lebanon, meanwhile, Israeli planes hit Palestinian positions in Beirut twice Sunday, an army spokesman announced in Jerusalem.

It was the fourth consecutive day on Israeli air attacks on Beirut. Sporadic shelling also

erupted on the front between Palestinian and Israeli forces.

The Israelis concentrated the bombing during the day on targets south of the city center, where the estimated 6,000 PLO guerrillas have their major strongholds.

The Israeli spokesman said that in the night attack Israeli planes "struck at terrorist artillery and ammunition depots near the Sabra quarter of Beirut in a brief air raid," he said. "All our planes returned safely to base," he added.

WAFA said a guerrilla unit operating behind Israeli lines in the valley attacked an Israeli position Saturday night, destroying two vehicles and wounding at least eight Israeli soldiers.

Israeli planes destroyed Syrian surface-to-air missiles in the Bekaa Valley on Saturday and lost one Phantom jet to Syrian fire, an Israeli military spokesman announced.

He said the missiles that had been destroyed were brought from Syria during the night. They were said to be SAM-6s, a more advanced model than the SAM-6s and SAM-7s the Syrians had used in the past. All of the missiles are Soviet-made.

It was the first time an Israeli plane had been shot down over Lebanon since the Israeli invasion began June 6.

Europeans Seek to Circumvent Pipeline Ban

Replacing Rotors Embargoed by Reagan Is Key Element

By Axel Krause
International Herald Tribune

ESSEN, West Germany — Inside an old, red-brick factory where Krupp manufactured tanks until the end of World War II, a German worker Friday was putting finishing touches on a turbine that is one of five due to be delivered to the Soviet Union, next month for the Siberian gas pipeline.

"This contract is very important to us, so we are proceeding with the order," said Horst Kerlen, vice president of AEG-Kanis, the turbine subsidiary of the AEG-Telefunken group. He said that "if only we had the rotors, we could ship [the entire order] to the Soviet Union on schedule."

The Essen-based subsidiary of the AEG group is one of four European companies that have been under contract to supply 125 turbines and rotors for the pipeline under licensing agreements with General Electric Co. of the United States. Their export to the Soviet Union was banned by the Reagan administration last month.

While France, Germany, Britain, and Italy have said they intend to honor their contracts with the Russians despite the embargo, it is not yet clear how they would accomplish this without the rotors. Out of the 125 rotors ordered, only 23 have been delivered by GE so far.

Mr. Kerlen, reflecting tough-minded views being expressed by other German-based businessmen, bankers and senior government officials, said that a plan he described as "a new European course" was emerging. Its aim is to circumvent the embargo if the Reagan administration does not ease its determination to ban the pipeline's construction.

Details Still Secret

Details of the plan remain secret, but they are being explored by the French, German, British and Italian governments and the companies. Together the companies — including AEG, France's Alsthom-Atlantique, Britain's John Brown and Italy's Nuovo Pignone — have contracts with the Soviet Union to deliver equipment worth more than \$3.4 billion, some of it starting next month.

In interviews last week, officials in several European capitals indicated that the plan involves arranging for the manufacture within Europe of the embargoed pipeline equipment, primarily the rotors, which are key components in industrial turbines.

The most promising candidate for building the rotors is Alsthom-Atlantique, which is controlled by Compagnie Generale d'Electricite, nationalized by the French government earlier this year.

Alsthom, which also has longstanding relations with GE, has a 400-million franc (\$59-million) contract to supply the Russians with 40 spare rotors, starting in October, 1983. But Alsthom is under a separate contract with GE to make the rotors at its Belfort plant eastern France.

"Between us, we have the technology and manpower in this area... Our governments agree, we certainly could push ahead in Europe, despite all the tensions, legal actions and other headaches this would cause us with GE and the American government, and which we would rather avoid," said a senior German executive who declined to be identified.

When the French government Thursday ordered French firms, including Alsthom, to execute their contract with the Soviet Union, it immediately raised another important question: Could the

European partners, thus replacing GE?

In fact, Alsthom had exploratory talks with the three other European companies shortly after President Reagan announced the embargo on pipeline equipment last Dec. 29. But, European government sources said, the talks were suspended because Alsthom quoted prices for the rotors that the other companies found excessively high.

Alsthom has been readying its plant to manufacture the 40 spare rotors already ordered, but French industry and diplomatic sources said that this could be accelerated and the numbers expanded.

"Because of the legalities in-

volvement and our good relations with GE, we do not think our supplying the others is a suitable solution, but if our government so decides, we shall comply," a senior Alsthom executive said. He added that "political considerations are clearly the dominating factors... It is up to our government to decide."

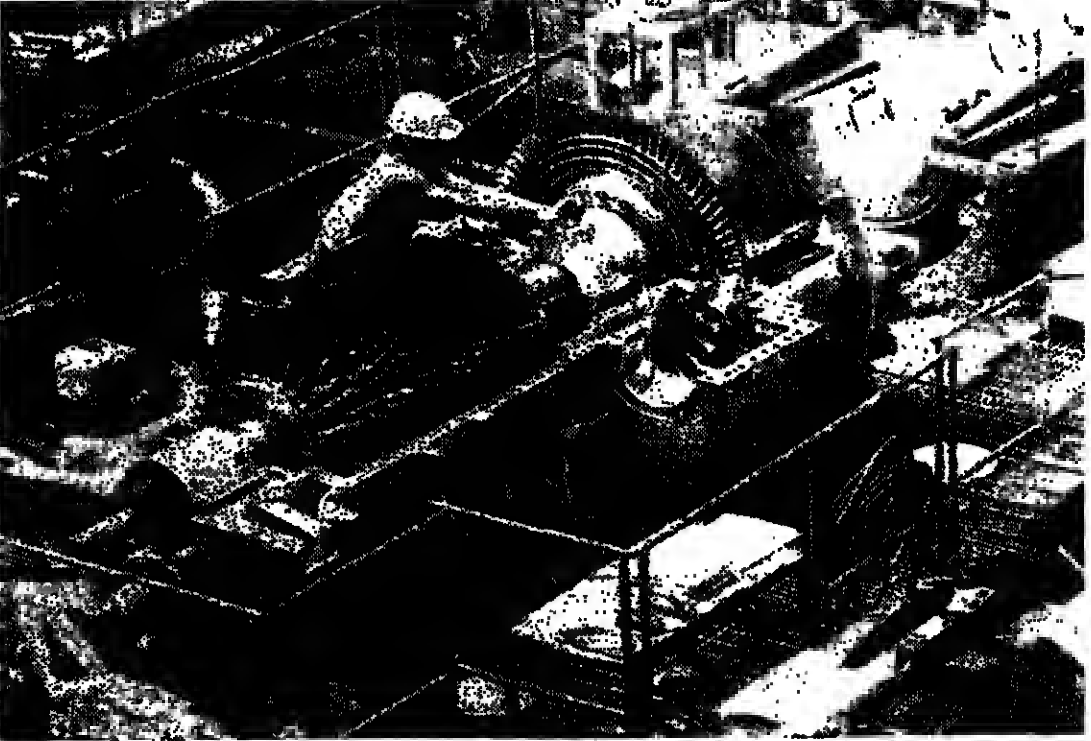
The plan would present immediate legal challenges to GE and Washington, but senior diplomats from NATO countries in Bonn said that the Europeans probably could try to make and deliver the equipment while legal challenges by Washington were fought out in the courts.

"It is not clear whether or not

the U.S. embargo is legal, so there probably will be drawn-out legal hassling anyway; meantime, the Europeans could supply the Soviets with the pipeline even though they might also face invocation of penalty clauses by the Soviets over the delays," one of the diplomats said.

"There might be delays, but clearly, if the French government decides to press Alsthom to replace GE, they will have no choice," a senior U.S. diplomatic official said Saturday, adding "there are plenty of other markets for turbines, such as those in the Middle East and Latin America."

Turbines for gas production rep-
(Continued on Page 2, Col. 1)



A workman in the AEG plant in Essen, West Germany, fitting a rotor made by General Electric of the United States in a turbine ordered by the Soviet Union for its Siberian gas pipeline.

Habib Serves as Paid Consultant For Bechtel; Role Is Questioned

By Ward Sinclair
Washington Post Service

WASHINGTON — President Reagan's special envoy to the Middle East, Philip C. Habib, is a paid consultant for the Bechtel Group Inc., a construction firm that has major business interests with Arab countries.

A Bechtel spokesman in San Francisco confirmed that Mr. Habib was hired as a consultant last year by George P. Shultz, who headed Bechtel at the time and is now secretary of state.

After Mr. Shultz was nominated this month as Mr. Reagan's chief of foreign policy, new concerns were raised on Capitol Hill about Bechtel's potential influence in the administration.

Sen. Larry Pressler of South Da-

kota, a Republican member of the Foreign Relations Committee who questioned the Shultz-Bechtel connection, Saturday called it "a very, very serious matter if [Mr. Habib] is on the Bechtel payroll. He will lose all his credibility in the Mideast, and I think it is going to impair the effectiveness of Secretary Shultz."

Sen. Pressler added, "Shultz should take immediate steps to make public everything there is about this. There are too many people from Bechtel in this administration... Bechtel is viewed as being extremely pro-Arab. These international conglomerates have

too much power, and Bechtel is a classic example."

Although Mr. Habib has been in the news almost constantly since Mr. Reagan sent him on the first of a series of diplomatic missions to the Middle East early in 1981, his association with Bechtel has not been publicized.

Tom Flynn, a company public relations aide, said that Bechtel would not disclose the nature of Mr. Habib's work there or his salary. "But I will say that it's something you and I would consider very minimal," Mr. Flynn added.

He said Bechtel had had almost no contact with Mr. Habib since he left for the Middle East in June on his latest effort to resolve the Lebanese crisis.

Concerns were heard when an-

(Continued on Page 2, Col. 1)

U.S. Airlifts Weapons to Somalia To Help Repel Ethiopian Invaders

By Richard Halloran
New York Times Service

WASHINGTON — The United States has begun flying weapons and military equipment into Somalia to help that nation repel an Ethiopian incursion, the State Department has disclosed.

No details were given, but Defense Department officials said Saturday that the weapons included air-defense radar and anti-aircraft weapons.

The State Department, in confirming reports on the airlift, said military equipment was sent "in connection with the recent incursion by Ethiopians and Ethiopian-supported forces."

So far as could be determined, the weapons and equipment were drawn from a \$20-million foreign military sales credit under a security

assistance agreement negotiated when Somalia granted the United States access to military bases there in 1980.

The president of Somalia, Mohammed Siad Barre, was in Washington in March seeking an increase in military assistance. His talks with President Reagan were said to have gone well, but no new agreements were announced.

Strengthening Relations

Military assistance to Somalia has always been in dispute in Congress, with advocates pointing to that nation's strategic location on the Horn of Africa, and opponents arguing that Somalia's government is autocratic and oppressive.

A Defense Department publication says that the security assistance is related to the agreement giving the United States access to

naval and air bases in Somalia. It says that "such assistance will be limited to defensive materials and related training."

The conflict between Ethiopia and Somalia has been under way for several years, particularly over the Ethiopian-administered region known as the Ogaden, which is claimed by Somalia.

The most recent flare-up, according to news dispatches from Somalia, started earlier this month when Ethiopian troops and aircraft attacked Somalia on two fronts. Reports from the area said that about 9,000 Ethiopian soldiers were involved, supported by Soviet-built MiG fighter planes.

The Soviet Union, according to U.S. estimates, has 2,400 advisers in Ethiopia. There are also 5,900 advisers from Cuba and 550 from East Germany.

Limits on Trade Could Hurt West More Than Russia, U.S. Study Says

By Dan Morgan
Washington Post Service

WASHINGTON — An internal State Department study has concluded that, contrary to the view of many in the Reagan administration, a sharp reduction in exports to the Soviet Union might be more costly to Western countries than to the Russians in its initial phase.

A summary of the findings, which "suggest caution in expecting significant, immediately visible damage to the Soviet economy from trade reductions," according to the State Department's Bureau of Intelligence and Research, was dated 27 U.S. missions last Monday. A copy of the message was obtained by The Washington Post.

The analysis covered only trade in manufactured goods, and omitted commodities such as grain, which the Russians buy from the West in large quantities.

Questions About Claims

It acknowledges that the impact on the Kremlin of sharply reduced trade might be "somewhat understated" because of difficulties in measuring "bottlenecks" caused by a loss of certain high technology items.

However, even with those cautionary phrases, the study raises questions about administration

effective way of impeding Soviet economic and military development.

The worldwide dissemination of the findings comes at a time when President Reagan is facing defiance by some West European governments over his efforts to block their participation in the building of the Siberian natural gas pipeline. A key element of the president's argument is that the Soviet Union will suffer heavy costs from trade sanctions by the West.

In a speech delivered Friday at an international symposium in Maidstone, England, Lawrence J. Brady, the assistant secretary of commerce for trade administration, said, "There is little question that if the West exercises its collective will to enforce these sanctions, the entire Soviet bloc will find itself in very difficult straits throughout the rest of the decade."

However, the State Department study, drafted by William D. Miller of the Bureau of Intelligence and Research with the help of a detailed econometric model of East-West trade patterns, appears to question that view on several counts. The State Department said it would not comment on the study because it was classified.

If the major Western industrial countries cut their manufactured exports to the Soviet Union, in half

growth would be slowed by only 0.2 percent annually, or by a total of \$4.5 billion over the two years, according to the study. But that same reduction in trade would lower the gross national product of the Western exporting countries by \$30 billion, according to the State Department's analysis.

A total embargo of manufactured exports would cost the Soviet economy \$12.5 billion in growth over two years but would cause additional economic losses in the West, the study said.

Might Ease Pressures

"Over time," the analysis noted, "the newly industrializing countries might be able to offset much of the reduction in Western exports." The reduction might actually ease pressures on the Russians to complete the natural gas pipeline to Western Europe on schedule, because the Kremlin would need to earn less money from the sale of the gas in the West to pay for imports.

The State Department conclusions appeared in some respects to conflict with a U.S. Census Bureau analysis released earlier this month. It suggested that there was "greater Soviet vulnerability to economic sanctions than has been understood up to now," mainly because of a sharp increase in Soviet

INSIDE

- The EEC has decided to seek a broad arrangement aimed at resolving its trade dispute with the United States over steel exports. Page 7.
- Transplantation of new cells to the human brain has been accomplished, reportedly for the first time. Tissue from the adrenal gland of a Parkinson's disease patient in Sweden was inserted into the core of his brain in an effort to reduce his symptoms. Page 3.
- Five hijackers seized a Chinese airliner on a domestic flight but were overpowered by crew members and passengers, Chinese and foreign sources said. One of the hijackers detonated a grenade, injuring himself and his accomplices, but all passengers were reported safe. Page 5.
- U.S. Interior Secretary James Watt cautioned in a letter to the Israeli ambassador that U.S. support for Israel could be jeopardized if "liberals of the Jewish community" join with other U.S. liberals in opposing administration energy policies. The White House disavowed the letter as "unfortunate." Page 2.
- The OAU begins preparations for its annual summit next week, contemplating a year past of division and ineffectiveness that threaten its survival as the credible spokesman for a continent. Page 5.

Unpublicized U.S.-Soviet Talks Fail To Produce Accord on Afghanistan

By Bernard Gwertzman
New York Times Service

WASHINGTON — The United States and the Soviet Union have just concluded an unpublicized round of talks in Moscow on the possibility of a political solution in Afghanistan, according to administration officials.

The officials said Friday that they did not have a full report on the results of the discussions but that there had been no signs of a breakthrough that would lead to the withdrawal of the approximately 100,000 Soviet troops in Afghanistan.

According to the officials, the discussions — between an American team led by Ambassador Arthur A. Hartman and Soviet Foreign Ministry officials — were arranged at the urging of former Secretary of State Alexander M. Haig Jr. before he left office.

Mr. Haig, who met with Foreign Minister Andrei A. Gromyko of the Soviet Union in New York on June 18 and 19, had stressed that relations between the two countries could not improve unless there was progress in resolving regional crises such as the continued Soviet military presence in Afghanistan and the Soviet-backed Vietnamese occupation of Cambodia.

Officials said that Mr. Haig's

no objection to the meeting's going ahead as planned.

Details were sketchy because the two governments had agreed not to publicize the meetings, but when word of them became known, the State Department did confirm that they had taken place and agreed to comment about them.

"Our purpose has been to press the Soviets to withdraw their forces from Afghanistan in the context of a settlement acceptable to the Afghans and the international community," a State Department spokesman said in answer to questions.

"We will continue to use diplomatic dialogues with the Soviet Union for this purpose," said the spokesman, Rush Taylor.

"There is no evidence to indicate that the Soviets have changed their position on Afghanistan," Mr. Taylor said. "Indeed, the number of Soviet troops has been increased in recent months," from about 85,000 to nearly 100,000.

"Nonetheless, we'd like to know what the Soviets have to say," he said. "We also believe it is essential to make clear to the Soviets that the Afghanistan issue will not go away and that it remains a major impediment to improvement of Soviet-American relations."

In recent weeks, there has been

an intensification of efforts to find a diplomatic solution to the Afghan problem. Talks were held in Geneva last month by a special envoy from the United Nations, Diego Cordovez, the Afghan foreign minister, Shah Mohammed Dost, and the Pakistani foreign minister, Shahbaz Bhatti.

Mr. Cordovez said afterward that the two countries had made important concessions and that he planned to visit Afghanistan, Pakistan and Iran this fall with the broad outline of an agreement.

The situation in Afghanistan has disrupted U.S.-Soviet relations ever since Soviet troops intervened in the country in December, 1979, and set up a government headed by Babrak Karmal. The United States and most other countries have not officially recognized the Karmal regime but keep their embassies in Kabul, managed by lower-ranking officials.

Moscow had refused to discuss Afghanistan until the United States agreed to deal with the Karmal regime, but this condition has been dropped, officials said.

Afghanistan was mentioned regularly in meetings that Mr. Haig held with Ambassador Anatoly F. Dobrynin as well as with Ambassador Hartman in Moscow. The discussions that just ended, however, were different in that they were devoted entirely to Afghanistan.

Moscow's Close Command of Economy Should Help It Resist U.S. Pressures

By Dusko Doder
Washington Post Service

MOSCOW — Imagine an economy roughly two-thirds that of the United States and managed by a single board of directors. The board — in this case the ruling Soviet Politburo — can by a simple vote decide to concentrate all its vast resources on any given project.

As is probably the case involving the Siberian gas pipeline, a project may be assigned very high priority. However, inefficient the Soviet economy may be, whatever its structural and technological shortcomings, the concentration of resources and talent makes it virtually certain that a pipeline to export Siberian natural gas to Western Europe will be completed on schedule.

The Russians still hope President Reagan will ease his ban on sales of American pipeline technology. Yet it seems clear that Moscow's ability to concentrate its economic power is one of the major obstacles to Mr. Reagan's efforts to force the Soviet Union into a switch of resources away from the military and possibly to exert significant pressure on the whole Soviet system.

Another obstacle is the carefully cultivated self-sufficiency of the Soviet Union. Its economy remains largely isolated from the capitalist world. Although the \$10-billion Siberian pipeline project is the largest East-West commercial transaction in history, it accounts for only 12 percent of Moscow's planned pipeline construction through 1985. The scope of Western participation is less than 10 percent.

Resource Richness

Apart from the limited leverage, two other factors are working against Mr. Reagan's strategy.

One is that the Soviet Union has the world's richest natural and mineral resources and that the export of these resources, including gas, oil, timber and almost the full spectrum of rare metals, is in such demand as to boost East-West trade despite Mr. Reagan's embargo. In the first three months of U.S. sanctions after December's military crackdown in Poland, Soviet exports to Western nations rose 35 percent over the comparable period the previous year.

In a \$1.5-trillion command economy, the leadership does not have to reallocate resources or investments to come up with a do-

mestic turbine for the project. Moscow appears to have decided simply to shift the entire output of two Leningrad factories to the turbine production, which in practice means that machine tools scheduled for manufacture there would be assigned to other plants.

The other factor is the resistance to Mr. Reagan's policy in the Western allies, which undercuts the effort to deny U.S. technology to the project.

In a flurry of often self-serving arguments,

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U.S. officials have accused West Europeans of subsidizing Soviet economic development. In turn, the Europeans have accused Mr. Reagan of hypocrisy, saying he is launching an "economic war" that would damage their sagging economies while refusing, for domestic political reasons, to use the potent weapon of a grain embargo against the Russians.

Underlying these arguments is a basic difference in approaches toward Moscow. West Europeans see the Soviet Union as a permanent fact of life and want to have normal relations with it. The Kremlin has been encourag-

ing this by promising vast new commercial opportunities. The Reagan administration has viewed Moscow largely in ideological terms, contending that the evil forces of Communism have to be confronted and contained.

Both sides have buttressed their arguments with conflicting assessments of the Soviet economy.

Slower Soviet Growth

After steady growth in the postwar era, the Soviet Union has entered a period of significantly slower economic growth. Its economy is plagued by weak agriculture, low productivity, inflation and the absence of technological innovation.

The world oil crisis of 1973 is one reason. The other is rooted in various structural weaknesses, primarily the absence of incentives and the continued insistence on rigid centralized planning.

Moreover, the Russians have assumed greater commitments to their client states around the world.

It has been clear for a long time that there was no way within the Soviet system, short of drastic reforms, to reverse the chronic

shortcomings in the two most troublesome areas, agriculture and technology.

Being either unwilling or unable to make such reforms, the Kremlin leaders have decided to compensate for the system's failure by buying food and technology abroad.

A decade ago, when defense was just booming, the Russians tried to interest the West, particularly the Americans and West Germans, in helping them. But the Americans proved too political and the Germans, at least initially, too cautious.

The dreams of a Soviet-American trade boom died after the U.S. Congress in 1974 linked trade to the issue of emigration for Soviet Jews and other minorities. However, trade with West Germany and other Western countries, including Japan, has been increasing sharply ever since.

Decline in Investments

While buying some time, the Russians have failed to arrest a steady decline in economic growth — from 5.2 percent in 1976 to 3.2 percent in 1981 — while agricultural performance over the past three years were disastrous.

Perhaps the most illuminating indicator of

an economic slowdown is a declining growth rate in investments — from 2 percent in 1976 to 1.4 percent in 1981. Western experts link this to an estimated 4-percent growth in annual military expenditures.

But the declining rate of investments also reflects the problems of a maturing economy. Latest economic indicators for the first five months of this year show the economy growing at about 3 percent per year.

Exports of mineral resources, timber and energy last year netted the Soviet Union about \$28 billion (the figure includes an estimated \$5 billion from arms sales).

The total amount paid for food imports was less than \$8 billion. This is the amount the Russians expect to get from exports of additional gas to Western Europe each year once the pipeline comes on stream in January, 1984.

Despite the serious problems of the Soviet economy, most analysts in Moscow believe there is no real possibility of its collapse.

They say that even an American grain embargo would not significantly alter Soviet behavior. Despite its chronic failures, Soviet agriculture produces enough food to ward off possible famine.

Europeans Seek Means To Avoid Pipeline Ban

(Continued from Page 1)

resent a growing, multibillion-dollar market worldwide, which is now dominated by GE. According to German industry estimates, GE has about 21 percent of the worldwide turbine market, followed by the three European partners on the pipeline project — Nuovo Pignone with 13.2 percent, AEG-Kanis with 9.7 percent, Alsthom-Atlantique with 8.2 percent and John Brown with 8.1 percent. Other companies with less than 2 percent of the market include Japan's Hitachi and Britain's Rolls Royce.

If the plan materializes, senior U.S. and German officials said that it would not only present an immediate political and legal challenge to GE and the U.S. administration, but also a longer-range

threat to U.S. multinationals that have supplied technology and industrial equipment to Western Europe.

'More Than Pipeline'

"There is far more than the pipeline involved — U.S. business interests generally may get hurt badly," a German official said Friday, adding "the Reagan people do not seem to have understood this."

German Economics Minister Otto Graf Lambsdorff said in a speech in Atlanta last Thursday that the world has remained dependent on U.S. rotors, knowing that customers could "fall back upon American know-how at any time." But in light of the recent embargo, Mr. Lambsdorff said, "this is a thing of the past."

There is no longer any reliance on unhampered deliveries.

Mr. Lambsdorff said that the only alternative for supplying rotors and other products made in the United States was in intensifying the search for European solutions, although he conceded "this is very costly." Does not entail a sacrifice of optimum size and is no doubt a wise solution than what so far has been current practice."

Putting it in blunter terms, a senior Düsseldorf-based banker said: "Reagan's attack on our industry is unacceptable, but you will see — we already are warning our clients about cooperating with U.S. firms in the future because of the new risks involved." The banker, who declined to be identified, added that "if we are vulnerable in Russia, we also may find ourselves embargoed in the Middle East, Africa, or Latin America, and this we cannot afford."

Italy Deals Deal

ROME (AP) — The Italian government believes that Nuovo Pignone's contract to participate in the construction of the Soviet pipeline should be honored, the Foreign Ministry announced Saturday. It also called for "close consultations" on the controversial issue with countries of the European Economic Community.

"Our decision is slightly different from the French decision in that we are expressing our view and are not dictating a course of action for the company," said a source who asked not to be identified.

Regan Says Time Will Mend Splits Over Pipeline Ban

Reuters

WASHINGTON — Treasury Secretary Donald T. Regan said Sunday that he did not think President Reagan's controversial sanctions against the Siberian gas pipeline to Western Europe would rupture the Atlantic alliance or backfire against the U.S. economy.

"I think this will be smoothed out, but it will take time to do it," Mr. Regan said. Italy and France have announced that they will defy the U.S. ban on sales of equipment for the pipeline, and other countries, such as Britain and West Germany, have indicated their willingness to ignore the sanctions.

Mr. Regan said in a television interview that the Reagan administration was determined to do all it could to keep the Soviet economy from expanding.

European and U.S. firms have argued that the sanctions would cost them millions of dollars in lost business and do little to stop Moscow from completing the project. Some administration critics have also said that the ban might hurt U.S. businesses that had lucrative contracts to supply parts for the pipeline.

But Mr. Regan said, "it will have a minor effect on the economy, but nothing severe, nothing substantial."



Bashir Gemayel, Christian militia leader, announcing that he is a presidential candidate.

Despite Invasion, Lebanon Begins Process of Choosing a President

By Jonathan C. Randal

Washington Post Service

BEIRUT — Despite the Israeli occupation of a third of its territory, Lebanon has formally opened a campaign for the election of a new president.

Never before in its 39 years of independence has Lebanon faced a presidential election process so filled with danger and risk of partition seemed so great. But somehow during the next two months the members of a parliament elected 10 years ago are constitutionally required to choose a successor to President Elias Sarkis.

Lebanon's presidential elections have not been easy in the best of times. One winner, for example, was elected by one vote as his followers fired into the air at the parliament session to make sure dissenters accepted the vote. In 1976, Mr. Sarkis was elected with Syrian support amid incoming mortar rounds.

The present campaign formally began Friday. The election has not drawn much attention outside of Lebanon, but Israel has insisted that it wants a strong central government to emerge following its invasion. The United States has also expressed such a preference.

Because of the complexity of the situation in Lebanon, it is widely believed that the many parties with strong interests here — the Lebanese, Palestinians, Syrians, Saudi Arabians and Americans — would prefer that the election be postponed. The constitution, however, requires that the election be held this summer.

Amendment Predicted

The problems involved are so complex that many politicians and analysts are convinced that Mr. Sarkis will have his six-year term extended by constitutional amendment for another year or two despite his statements that he wants to leave office Sept. 23.

As of now, it appears that the race will end up pitting an ailing Mr. Sarkis against Bashir Gemayel, the Christian militia leader who currently is the only officially announced candidate.

A major problem facing Mr. Gemayel is the possibility that his Israeli allies will launch their threatened assault on the Palestinian guerrillas trapped in West Beirut. Such an attack could break the tenuous link between the Maronite majority and the Maronite Christians and thereby undo the unwritten agreement that the presidency is reserved for the Maronites.

Since the Israeli invasion June 6, Mr. Gemayel reportedly has sided with Israel's efforts to get his militia to assault the Palestinian guerrillas in place of the Israeli forces.

Analysts insist that Mr. Gemayel was at his strongest just before the invasion, when his law-and-order rule of the Christian enclave made him an attractive figure to many Lebanese, including Moslems who lived in lawless areas of the country.

Those Lebanese, the analysts say, were then willing to put up with his Israeli connections. But now the Moslems fear a strong Maronite leader would be tempted to try to re-establish Christian domination over the country. They also reportedly are concerned about the destruction and loss of Moslem lives in the Israeli invasion and about reports of the Christian militia's tough behavior

Lebanese law specifies that the parliament will have 99 members. Although seven members have died, the turmoil in Lebanon has prevented the holding of by-elections since 1975.

The law also requires that two-thirds of the members of parliament must be present to begin the election process. Mr. Gemayel's supporters are arguing, however, that because of the vacancies only 62 members must be present. His opponents contend that 66 have always been required for a quorum and should still be.

If no winner is chosen by Aug. 23, parliament must meet in continuous session from Sept. 13 to Sept. 23, when Mr. Sarkis' term expires. Thereafter the constitution provides that the departing president may entrust his duties to the government.

Mr. Gemayel's supporters contend that he already has 60 votes, but observers are skeptical. Even if he gets the quorum, it is not certain that he could win even the simple majority required for election on all but the first ballot. Victory on that vote would require a two-thirds majority.

Also worrying the Lebanese is the strong possibility that the "grand electors" — as the influential foreign powers are called in recognition of their traditional role in choosing presidents — will complicate the process.

In addition, another battalion with 1,000 paratroopers would be alerted at its home station in northern Italy. In the event the paratroopers in Lebanon ran into trouble and needed reinforcements, the troops held in reserve could be flown in swiftly.

At the same time, the 1,800 Marines in amphibious units in the eastern Mediterranean would be ordered to withdraw rather than to reinforce the paratroopers in Beirut, the Marines could land on the beach to evacuate them.

Bringing units from the United States rather than relying on forces in Europe would give the operation more strength and flexibility, the officials said.

The latest count on the number of PLO fighters in Lebanon is about 6,500. Defense Department officials said. Of those, about 1,200 hold Jordanian passports and are expected to return there. It was also possible that a similar number would go to Iraq, the officials said.

Another 1,200 members of the PLO could be expected to go to Syria because they hold Syrian

passports or have family roots in Syria. The Syrian government was not expected to object to such a move, even though Damascus has said that the only other members of the PLO it would accept are the leaders, the officials said.

Egypt has suggested that some Palestinians might be acceptable there, the officials said. But Saudi Arabia, which has indicated it would be willing to pay for the transport of Palestinian forces, has ruled out taking any of them.

With an overland evacuation now seen as more likely than a departure by sea, U.S. military planners have dismissed the idea that the PLO would need chartered ships to leave Beirut, officials said.

There is even less likelihood that they would be evacuated by U.S. naval vessels, a possibility that appeared neither to the Americans nor to the Palestinians, the officials said. The United States wants to avoid any hint of diplomatic recognition of the PLO.

For the same reason, U.S. Air Force planes are not likely to be involved in transporting PLO members.

Habib Arrives in Rome for Talks, Will See King Hussein in London

Compiled by Our Staff From Dispatches

ROME — Philip C. Habib, President Reagan's special Middle East envoy, arrived in Rome on Sunday to discuss the Lebanese crisis with Foreign Minister Emilio Colombo.

U.S. officials said that Mr. Habib would fly to London on Monday for talks with King Hussein of Jordan on the future of the Palestinian guerrillas trapped in West Beirut. King Hussein is in London on a private visit.

The officials, who asked not to be identified, said Mr. Habib stopped in Rome because Italian officials had shown a strong interest in resolving the Lebanese crisis.

Mr. Habib flew to Rome from Cairo after meeting for nearly two hours Sunday with Egyptian President Hosni Mubarak.

The two men declined to comment after their two-hour meeting, but an official statement issued shortly after the talks said there was no prospect of Egypt becoming

Italy has offered to send troops for a multinational peacekeeping force in Lebanon. In talks in Washington last week with Secretary of State George P. Shultz, Mr. Colombo said Italy would contribute troops on the condition that they be accepted by Lebanon, Israel and the Palestinians.

The official Middle East News Agency quoted Kamal Hassan Ali, the Egyptian foreign minister, as saying that he was expected to fly to Washington within two days for consultations on the Beirut crisis and to hand a message from Mr. Mubarak to President Reagan.

Egypt maintains that a PLO withdrawal from Lebanon under Israeli occupation would only create more problems in the region. Mr. Mubarak has said Egypt is prepared to give refuge to the Palestinian political leadership only.

Syria Seeks U.S. Commitment
DAMASCUS (NYT) — Syria is

Watt Links U.S. Support for Israel To Jews' Support for His Policies

By Dale Russakoff

Washington Post Service

WASHINGTON — Interior Secretary James G. Watt cautioned in a letter last month to Israeli Ambassador Moshe Arens that American support for Israel could be jeopardized if "liberals of the Jewish community join with the other liberals of this nation" in opposing the Reagan administration's policies of accelerated energy development.

The letter was disavowed by the White House in statements Friday and Saturday as "unfortunate" and "not the president's viewpoint."

Mr. Watt himself said Saturday that he had not intended to threaten Mr. Arens.

The interior secretary's letter warned that unless the United States reduces its reliance on foreign energy sources "there is great risk that in future years America will be prevented from being the strong protector and friend of Israel that we are and want to be."

He wrote that "the friends of Israel" should support the Reagan administration's energy policies "if they really are concerned about the future of Israel."

These policies include Mr. Watt's controversial programs to expand offshore oil drilling and coal mining on public lands. The programs have recently come under sharp attack from Democrats, environmentalists and officials of several affected states.

"If the liberals of the Jewish community join with the other liberals of this nation to oppose these efforts, they will weaken our ability to be a good friend of Israel," Mr. Watt wrote in a June 17 letter. "Your supporters in America need to know these facts."

The letter triggered an angry reaction from Jewish leaders in the United States, who variously said that it was "inappropriate" and

"deeply offensive" to appeal for American Jewish support through a foreign ambassador.

They said they also resented the implication that American Jews should take positions on the Reagan administration's domestic policies because of concern for Israel.

The assistant White House press secretary, C. Anson Franklin, said Friday: "Secretary Watt's unofficial letter to Ambassador Arens represents his own personal views. The White House regards his remarks as unfortunate."

On Saturday the White House moved to dissociate itself even further from the letter.

The main quarrel we have with it is it does not represent administration policy. It is not the president's viewpoint," said the press secretary, Larry M. Speakes.

Mr. Watt said Saturday: "There's no threat intended. To have a threat, you have to say we'd do something, if they [American Jews] didn't do something."

Hours after Mr. Watt's explanation, Sen. Daniel P. Moynihan, Democrat of New York, called on him to resign his Cabinet post "for this bare-knuckled act of bigotry."

If the secretary does not resign, Sen. Moynihan said, "President Reagan should dismiss him immediately."

Administration officials indicated that there were no plans to ask Mr. Watt to resign over the letter.

The letter was written after a personal conversation between Mr. Watt and Mr. Arens at a Bonds for Israel dinner at the Washington Hilton Hotel, according to an Israeli Embassy official.

The Interior Department's public affairs office sent a copy of the letter to the Cable News Network in advance of Mr. Watt's appearance Thursday night on the program "Crossfire." Tom Braden, co-host of the show, said the letter arrived with a sheaf of statements and speeches by Mr. Watt.

When Mr. Braden asked Mr. Watt on the air about the views expressed in the letter, the secretary answered, "Right on! Right on!"

WORLD BRIEFS

French Reportedly Aided Argentines

LONDON — Nine French technicians on a 12-month contract helped to install the Exocet missile launchers that French-built Argentine planes used to wreck the British destroyer Sheffield and merchant ship Atlantic Conveyor in the Falklands conflict in May, with the loss of 36 lives, The Sunday Times reported.

The paper said the French team was in Argentina "after the French government had assured the British... that 'any technical aid of a military nature' had ceased. The team is still there." Most of the technicians are from Dassault, which makes the jet from which the missiles were launched, and one is from Aerospatiale, which makes the Exocet, said Isabel Hilton, a Sunday Times reporter.

Miss Hilton said she got the story by the team leader, a Dassault technician. The team's contract started last November, she said. The report included details from the French Defense Ministry and Dassault. The French ministry said Sunday that it would investigate whether instructions to halt military aid to Argentina during the conflict were respected.

Russia Claims New Submarine System

MOSCOW — The Soviet Union has developed a strategic submarine missile system that guarantees the ability to retaliate if the country is attacked, Adm. Sergei Gorskikh said Sunday in a Navy Day article in Pravda.

Adm. Gorskikh, who has headed the Soviet fleet for 26 years, said the United States, "having created an underwater threat to others," has "called forth a similar threat to itself." He did not describe the new system in detail but said it was similar to the U.S. force, which he said includes 40 submarines armed with 656 missiles carrying more than 1,500 warheads.

"In response to the development by the United States of a strategic submarine missile system directed above all at the Soviet Union, a similar system has been developed by us," he said. "This confronts any aggressor with the inevitability of retaliation."

Yugoslavs Reveal Rioters' Sentences

BELGRADE — Courts have sentenced 530 persons on charges of counterrevolutionary activity in the last 12 months for their part in nationalist riots by ethnic Albanians, the news agency Tanjug reported Sunday.

The agency described those sentenced as organizers of clandestine groups that had tried to break up Yugoslavia's multinational structure and annex the southern province of Kosovo and other regions populated by ethnic Albanians to neighboring Albania.

Ethnic Albanians have been jailed for up to 15 years for taking part in riots in Kosovo in April of last year.

Spanish Socialists Demand Election

MADRID — Spain's opposition Socialist Party called Sunday for an early general election and said it would oppose any attempt to appoint a caretaker government without a poll.

It said the government was crippled by divisions and defections within the ruling Union of the Democratic Center that have wiped out its majority in parliament. Elections are due next April. Two new political parties, the Popular Democratic Party and the Liberal Democratic Party, founded by dissidents from the ruling party, held their first meetings over the weekend. The Popular Democrats called for an alliance with rightists to block the way to the Socialists, seen in opinion polls as favorites for the next election.

Amid speculation about a possible government reshuffle, King Juan Carlos received Premier Leopoldo Calvo Sotelo and ruling party president Landelino Lavilla separately over the weekend.

Verdict Due on Seychelles Hijacking

PIETERMARITZBURG, South Africa — Judgment will be handed down on Tuesday in the case of Col. Michael Hoare and 42 other white mercenaries charged with hijacking an airliner to South Africa after an attempted coup in the Seychelles.

The men, South African residents of various nationalities, face maximum prison sentences of 30 years if convicted. They are charged with unlawfully seizing control of an Air India Boeing 707 when it landed at Mahé airport on the Seychelles' main island of Victoria during a gunfight last Nov. 26 and ordering it flown to Durban.

From July 5th through August 27th, Monday through Friday, the International Herald Tribune will present the news in English at 10 a.m. on radio station RMC.

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Suspense High at State as Shultz Picks Aides

By Bernard Gwertzman
New York Times Service

WASHINGTON — George P. Shultz's first week as secretary of state has ended in suspense for most of the top officials at the State Department. The officials are not only uncertain about many key policies, but, more to the point, they are also uncertain about their own futures.

As a result, conversations at the department these days often begin with "What have you heard?" And more often than not, the answer is, "Not much."

Randomly, that various assistant secretaries of state are facing the fact of being shuffled through the shuffle.

In the short time that he has been at the State Department, Mr. Shultz has displayed two characteristics. One is a fondness for chewing over policy questions and looking for answers that go beyond tactical day-to-day considerations. The other is a stress on the importance of personnel. As a result, the Washington scene as well as a specialist in labor and management, Mr. Shultz recognizes

the importance of having the right people on the job.

After he was in office one day, he asked Walter J. Stoessel Jr., deputy secretary of state, to retire a few months ahead of time to make way for Kenneth W. Dam, Mr. Shultz's longtime collaborator, in the No. 2 State Department job. Everyone at State knew that Mr. Stoessel, one of only three career ambassadors in the Foreign Service, would be leaving by the end of the year, but the swiftness of the move took the department by surprise and seemed a bit brutal to some of Mr. Stoessel's admirers. It had the effect of increasing speculation that many changes would soon follow.

Those officials most closely associated with former Secretary of State Alexander M. Haig Jr. seem the most in jeopardy because Mr. Haig combined his resignation with criticism of the way the White House managed foreign policy. And while the White House cannot retaliate against Mr. Haig, it can always punish his former aides.

Within days of Mr. Haig's departure, some reporters were in-

formally asked by a highly placed administration official for their advice on a new spokesman "in case Shultz wants one."

Dean E. Fischer, the State Department's spokesman and one of Mr. Haig's closest aides, subsequently told Mr. Shultz that he intended to return to private life, and Mr. Shultz made no effort to change his mind. Mr. Fischer, a former editor for Time magazine, is staying on until his replacement is found.

Another of Mr. Haig's confidants, Richard R. Burt, is dangling in uncertainty. One month before Mr. Haig resigned, the White House announced that Mr. Burt was being nominated for assistant secretary for European affairs, one of the most prestigious posts in the department. But the formal nomination papers have not been sent to the Senate, and rumors are rife that Mr. Burt, a former reporter for The New York Times, will be asked to leave. He is working as acting assistant secretary.

Rumors have suggested that Thomas O. Enders, a career diplomat with European experience

who now heads the Latin America bureau, might replace Mr. Burt.

One of Mr. Haig's chief aides who is staying, however, is Lawrence S. Eagleburger, the No. 3 man in the department, who is regarded as virtually indispensable for running the building during the transition.

One result of Mr. Shultz's coming to the State Department has been the elevation of Henry A. Kissinger to a kind of supreme outside adviser. Mr. Shultz has known him for years, dating back to the Nixon years.

Mr. Kissinger is to be Mr. Shultz's houseguest in Palo Alto, Calif., on Sunday night, having spent the weekend at Bohemian Grove, the private retreat north of San Francisco, where they will have mingled with giants of business and industry, as well as Chancellor Helmut Schmidt of West Germany and Prime Minister Lee Kuan Yew of Singapore.

The big question is whether Mr. Shultz will ask Mr. Reagan to appoint a high-powered negotiator to deal with the Middle



George P. Shultz

East. At the moment, with Philip C. Habib deeply involved in the Lebanon crisis, there is no thought of naming anyone else. But with all signs indicating that the Middle East will be increasingly important, the odds seem to favor Mr. Shultz asking someone of stature to take it on. Mr. Kissinger would be a logical choice, but reporters are being told that there are no plans to call on him at this time.

Gulf War Prompts Arab Leaders To New Caution Toward Tehran

By Robert J. McCartney
Washington Post Service

WASHINGTON — Iran's invasion of Iraq has touched off a fresh scare among the conservative Arab rulers of the Gulf oil states and encouraged them to seek to placate Tehran.

Led by Saudi Arabia, those pro-Western states are showing new caution in backing Iraq while continuing to hope privately that the Iraqi crush Iran's invasion and halt the spread of its Islamic revolution, according to Arab diplomats and U.S. officials here.

The wariness of these nations, the key U.S. friends in the Gulf, also led them to move away quickly from American offers to hold joint military maneuvers to demonstrate their resolve to Iran.

"If Iran is going to emerge as the biggest power in the Gulf, then the Saudis don't want to be on its bad side," said William Quandt, a Middle East specialist and former staff member of the U.S. National Security Council.

No Open Condemnation

Since Iranian troops pushed into southern Iraq on July 13, Saudi Arabia and other conservative states have avoided condemning the invasion. In a message Friday, King Fahd of Saudi Arabia called for peace between Iran and Iraq but did not mention Iran's thrust across the border.

This silence is noteworthy because the Gulf states have backed Iraq through most of the war both with statements of support and financial aid of up to \$20 billion. These nations — Saudi Arabia, Kuwait, the United Arab Emirates, Oman, Bahrain and Qatar — were motivated by fear of the religious revolution espoused by Iran and by a desire to support a fellow Arab nation against Persian-dominated Iran; they also were encouraged by Iraq's early victories.

The Gulf states' new caution reflects a desire to leave open the possibility of making some sort of deal with Iran to halt the fighting, possibly by offering billions of dollars of war reparations, sources said. There are also reports, which U.S. officials could neither confirm nor deny, that the Gulf states have slowed their supply of aid to Baghdad.

President Saddam Hussein of Iraq has called publicly for Arab solidarity in the war and has dispatched envoys seeking more aid from Arab nations. One Iraqi with diplomatic experience privately criticized the Gulf states' cautious new policy and said Iraq would feel betrayed if no new aid were forthcoming.

The conflict between Iran and Iraq has worried the Gulf states ever since it broke out in September, 1980, because a decisive victory by either nation would leave the winner with a pre-eminent military

position in the area. Iran and Iraq are by far the two most populous countries on the Gulf, and the smaller monarchies historically have sought to preserve a balance of power between them.

For the moment, therefore, the apparent bogging down of the Iranian offensive has allowed the Gulf states to bide their time and hope that both sides will tire of fighting and reach a balance-preserving settlement.

If Iran routs the Iraqi Army, however, the Gulf states would feel much less comfortable, the sources say. The Iranians conceivably would be in a position to march on either Kuwait or Saudi Arabia.

A U.S. official said chances of that were remote, especially given the failure of the Iranian invaders so far to penetrate very deeply. If Iran did threaten to invade, the official said, the Gulf states would look first for support from fellow Arab nations, but the United States might also be asked to provide support for its friends' air defenses.

The Gulf states' caution about criticizing Iran's invasion contrasts with sharp condemnations by two other Arab moderates, Jordan and Egypt. Jordan has been Iraq's strongest ally in the war, and it called up some reserves after the invasion. Egypt quickly announced a new arms shipment to Iraq.

Khomeini Renews Threats
BEIRUT (UPI) — Ayatollah Ruhollah Khomeini, responding to reported Saudi efforts to lobby support for Iraq, repeated threats

Sunday to attack neighboring Gulf states if they did not stop aiding the Baghdad government.

The Iranian leader, in a statement broadcast by Tehran radio and monitored here, said: "I warn these governments not to cause problems for the sake of their own future. I have repeatedly advised them to stop helping Saddam [Hussein] because we do not want to fight them."

The warning came as Crown Prince Abdullah of Saudi Arabia left Baghdad for Damascus following talks with the Iraqi president on the Gulf war.

Political sources said Prince Abdullah was seeking to convince Syria, which supported Iran when Iraqi troops were on its territory, to condemn the Iranian invasion of Iraq.

Spanish Military Denies Check to Officer in Jail

MADRID — Spanish military authorities have prevented Lt. Col. Antonio Tejero Molina from receiving a check for 18 million pesetas (\$163,000) in prison, the rightist newspaper El Alcázar reported Sunday.

The money was raised among readers of the newspaper to help Col. Tejero pay one million pesetas for damages caused when he stormed parliament last year. Authorities said he needed an authorization from the military court that sentenced him to 30 years in jail for military rebellion. He has said he would donate the money to victims of urban guerrillas.

Shultz and Schmidt Engage in Hot Tub 'Philosophizing'

By Barry Siegel
Los Angeles Times Service

PALO ALTO, Calif. — The scene that unfolded here in the backyard of a blue, rambling, wood-frame house on Delores Street was not unusual for a summer night in California.

Two men sat soaking in a tiled hot tub, staring at the stars, breathing the fragrance of abundant rose and jasmine bushes and philosophizing about the world. But their philosophizing may carry more weight than most.

The two men, sitting in the hot tub Wednesday night, were Secretary of State George P. Shultz and his close friend and houseguest, Chancellor Helmut Schmidt of West Germany.

For two days, they had been spending a working vacation at Mr. Shultz's home on the Stanford University campus, conducting what might be called "hot tub diplomacy" far away from the pomp of Washington.

General Approaches
Perhaps the soothing waters have helped smooth over their differences about such matters as the proposed Soviet gas pipeline to Western Europe. Sources say their discussions have focused not so much on specific issues as on "general approaches to world problems."

"Philosophizing" is what Mr. Schmidt called it at a Thursday news conference.

The informality of the meeting tells something about how the new secretary of state likes to do business. Mr. Shultz banned the State Department press corps from his trip and came to California accompanied only by his wife, Helena, a single aide and a small detachment

of Secret Service men and communications officers.

Mr. Schmidt is not the only world leader invited to join this intimate group. Former Secretary of State Henry A. Kissinger joined them Thursday night (though it is not known whether he went for a dip in the tub), and Prime Minister Lee Kuan Yew of Singapore was invited for part of the weekend.

Four Old Friends

None of the meetings is being described as a formal appointment or state visit. Sources say the four men are just old friends, getting together to relax and reflect.

Mr. Schmidt, who spends many of his vacations on private visits to the United States, made his travel plans four months ago, when he thought he would be visiting the president of Bechtel Group Inc., not the secretary of state.

It is the informality that most attracted Mr. Schmidt, according to a source. The other main attraction for both men is the university environment and the chance for broad intellectual exchange.

When Mr. Shultz resigned as secretary of the Treasury in 1974 to become president of Bechtel, he chose to live at Stanford, where he taught an evening seminar once a week to graduate business students, although it meant an hour's commute to his San Francisco office.

A source in Mr. Shultz's party agrees. "Shultz and Schmidt both have academic backgrounds in economics," he said. "They are intellectuals working from the same insight into life. They just get a tremendous delight in talking together."

After dinner and the hot tub at home Wednesday night, they went their separate ways Thursday.

Mr. Schmidt met with newspaper editors, Mayor Dianne Feinstein of San Francisco, Gov. Edmund G. Brown Jr. and a group of University of California history professors. Mr. Shultz worked with his aides at the Palo Alto hotel where his support cast of 15 to 20 is staying.

They met again and were joined by Mr. Kissinger that night at San Francisco at the annual dinner meeting of the Bay Area Council, where Mr. Schmidt addressed 1,100 local business and political leaders.

Weekend Retreat

On Friday, the three and A.W. Clausen, the World Bank president, left for the exclusive, men-only Bohemian Club at a 240-acre encampment in the redwoods along the Russian River, north of San Francisco.

Mr. Shultz, Mr. Schmidt and

Army Threatens U.S. Law Schools Over Their Stand on Homosexuals

By Ruth Marcus
Washington Post Service

WASHINGTON — In a high-stakes showdown over the U.S. Army's refusal to recruit homosexuals, its top military lawyer has threatened to recommend withholding millions of dollars in military contracts from universities whose law schools ban Army recruits.

Maj. Gen. Hugh J. Clausen, judge advocate general of the Army, wrote to six law schools in May, warning that he would recommend that no further contracts be awarded to their universities because they prohibit employers who discriminate on the basis of sexual orientation from recruiting on campus. Harvard, Yale, Columbia, New York University, Wayne State University and the University of California, Los Angeles, and received the letter.

The six universities received more than \$41 million in research and other contracts from the Defense Department in the last fiscal year.

"Soldiers are required to live and work under entirely different conditions than civilians," Gen. Clausen wrote in support of the Army's exclusion of homosexuals, noting that homosexuality is a crime under military law.

Soldiers "must often sleep, eat and perform personal hygiene under conditions affording minimal privacy," he said. "The presence of homosexuals in such an environment tends to impair unit morale and cohesion as well as infringing on the right of privacy of those service members who have a more traditional sexual preference."

Soviet Workers Join Scandinavians For Disarmament March in Moscow

United Press International

MOSCOW — About 1,000 demonstrators from Scandinavia, the Soviet Union and other countries marched up one of the main streets of Moscow on Saturday to call for an end to nuclear weapons.

"We want to influence the leaders on the top level to work together to stop the arms race," said Ava Nordlund of Oslo, a Norwegian organizer of the women's march for peace. Led by a line of women in pink gowns, the marchers carried banners reading "No to Nuclear War."

Weicker to Face Party Primary for U.S. Senate Seat

New York Times Service

HARTFORD, Conn. — The Republican state convention Saturday endorsed Sen. Lowell P. Weicker Jr. for a third term and Lewis B. Rome for governor, but gave their challengers more than enough votes to force state primary races Sept. 7.

The vote was 609 for Sen. Weicker and 321 for Prescott Bush Jr., the brother of the vice president. Mr. Bush needed 20 percent of the delegates, or 187 votes, to be eligible for a primary. He said there was no question he would challenge Sen. Weicker.

Earlier, the convention endorsed Mr. Rome, a former state Senate leader, in a 448-442 vote. His challenger, Richard C. Bozzuto, another former state Senate leader, declined to say immediately whether he would wage a primary contest.

Sen. Weicker, 51, who has not lost an election in his 20-year career, had been regarded as vulnerable to a Republican challenge this year because of his reputation as a maverick. His votes against some of President Reagan's proposals and

Gen. Clausen's letter was obtained by The National Law Journal, which is publishing a report on homosexual lawyers Monday.

In addition to withdrawing the contracts, Gen. Clausen threatened not to let Army officers train at the universities and to have Reserve Officers' Training Corps units removed from the schools.

Policies Unchanged

None of the six law schools has changed its discrimination policies in response to Gen. Clausen's letter, but officials at several schools said that their faculties were reviewing the letter to determine whether they should make a special exception for the Army.

The placement director at New York University, Michael Magness, said that law school faculties had adopted the policy against employers who discriminate against homosexuals "on a moral principle."

Homosexuality "has nothing to do with ability to be a crackjack lawyer," he said. "What someone does at home at night between the sheets, that's their business."

Mr. Magness, whose university received \$1.1 million in military contracts last year, said, "I've never known a military lawyer to go into the trenches."

Gen. Clausen also said that the Army would not recruit law students from the schools that bar it from on-campus activity.

"Frankly, this is not a real serious issue for this school," Mr. Magness said, noting that only two of its students had become military lawyers in recent years.

James W. Zirkle, Yale's dean of placement, called the letter "slight-

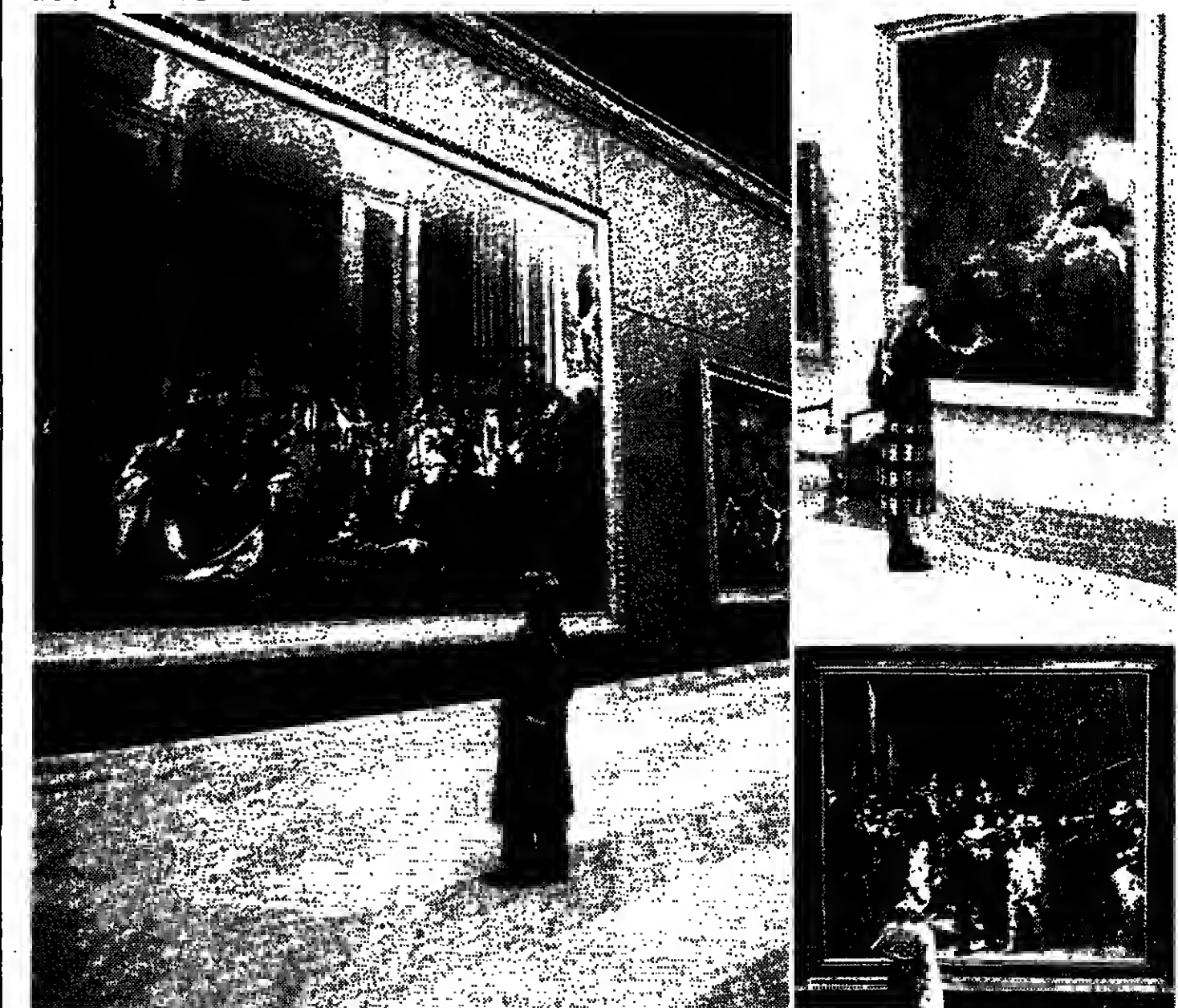
ly belligerent" and said that the threatened sanctions would not have much effect on the law school, although Yale received \$2.8 million in military contracts last year. "We have so many private firms coming up here to interview that our graduates are not suffering from lack of opportunities," he said.

But Barbara Bruno, assistant dean of placement at Wayne State University Law School in Detroit, told The National Law Journal that the school is "very concerned about these threats. They are annoying and scary."

"With the job market as tight as it is, we have to think very hard about any policy that prevents potential employers from interviewing students," she said.

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Human Brain Implant Performed in Sweden

By Walter Sullivan
New York Times Service

NEW YORK — In what is believed to be the first transplantation of new cells into a human brain, tissue from the adrenal gland of a Parkinson's disease patient in Sweden has been inserted into the core of his brain.

An American researcher who returned from Stockholm last week said the operation, performed three months ago, has produced no ill effects and has been followed by slight improvement of the patient's symptoms. It was not certain, however, that the improvement was due to the activity of the inserted cells.

Parkinson's disease occurs when cells in the part of the brain known as the substantia nigra fail to produce sufficient dopamine, a substance that plays a major role in the control of muscle activity by the nervous system. When dopamine is in short supply, a person is subject to tremors and other symptoms.

A treatment for the disease is the administration of L-dopa, a chemical precursor of dopamine. Dopamine itself is useless when given to a patient because it cannot traverse the blood-brain barrier. It has been hoped that inserting cells from the adrenal glands that produce small amounts of dopamine directly into the brain might aid patients whose response to L-dopa was unsatisfactory.

U.S. Envoy Vows Aid to Honduras

United Press International

TEGUCIGALPA, Honduras — The U.S. ambassador to Honduras, saying the Honduran Army faces a disadvantage against Nicaragua, has pledged that the United States will give Honduras \$14 million in military aid this year and will increase that aid as well.

The Nicaraguan Army has exceeded the size of the Honduran one and this stems from the doubling of its soldiers in the last two years. Ambassador John Dimitri Negropoulos said Friday.

Nicaragua has charged that Honduras supports anti-Sandinista fighters, while Honduras claims that Nicaraguan soldiers have attacked civilians on Honduran soil. On Saturday, the Nicaraguan Foreign Ministry said that rightist

According to Barry J. Hoffer of the University of Colorado, who collaborated with the Swedish group on earlier research, the patient on whom the operation was performed at the Karolinska Hospital in Stockholm was suffering from a special "on-off" form of the disease in which severe symptoms returned intermittently despite drug treatments.

Dr. Hoffer, who returned from Stockholm last week, said in a telephone interview Saturday that the patient was in his late 50s or early 60s. Tissue was taken from one of the patient's two adrenal glands, which adjoin the kidneys, and inserted by hollow needle into one of the two brain centers called caudate nuclei.

Since the operation the patient has required somewhat lower levels of medication, Dr. Hoffer said, but he added that this could have been caused by the needle insertion, rather than the injected cells.

Research on Monkeys

Dr. Hoffer has also worked with Dr. William J. Freed and others at the National Institute of Mental Health in Washington to find better ways to treat Parkinson's disease.

Those working on the problem in the United States have emphasized the advantages of research on monkeys before trying human treatments. They feel this would help indicate the most effective strategy. It is, for example, uncertain whether there should be multiple transplants of adrenal cells, perhaps into both caudate nuclei.

The Swedish group included Lars Olson and Ake Seiger in the department of histology at the Karolinska Institute as well as Olof Bäcklund, a neurosurgeon. They are not expected to perform another operation until the first patient has been observed at least six months. Several candidates, however, are said to be awaiting treatment.

Researchers have considered the brain to be a "privileged site" for transplants because it does not reject transplanted tissue as do other parts of the body. If the treatment for Parkinson's disease proves successful, it may lead the way for transplants to treat other disorders, such as Huntington's chorea, and brain damage, such as that caused by a stroke.

The search for new ways to treat parkinsonism has been under way in Stockholm and at the National

KGB Reportedly Holds Soviet Mathematician

Reuters

MOSCOW — A Soviet mathematician, who accused Moscow State University of discriminating against Jewish candidates, has been detained by the KGB security police, his wife said Sunday.

In article published in the West last year, the 37-year-old mathematician, Boris Kanyevski, claimed that Jews were given tougher entrance tests and interviews by the university and had only a 10-percent chance of success compared with over 85 percent for non-Jews. Mr. Kanyevski's mother said KGB officials had told her that her son



Bell System

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Shultz and Leadership

From THE NEW YORK TIMES

There is predictable news from Poland: Gen. Jaruzelski is not about to let Solidarity come back to life; he is consolidating his martial law regime, easing up slightly in ways that only prove his control, keeping Lech Walesa and the most troublesome rebels under arrest and releasing only those whom he expects to stay docile.

The hope has been disintegrated and told to apply again next year, by which time martial law might reign under a different name. The general blames Ronald Reagan for the slow pace of the normalization; hostility and sanctions only prolong the rule of the gun.

There is predictable news from Paris, too: Europeans are not about to join Reagan's crusade for Polish freedom with sanctions that injure their own economies. They think delaying the Soviet gas pipe to the West is a late, feeble gesture against the Polish crackdown. They think it is bizarre and illegal for President Reagan to try to compel American companies and their European licensees to renege on legal contracts for pipeline equipment. If he is so eager to punish the Russians, the allies ask, why not put his own economy at risk by canceling grain sales?

The incredible conclusion to be drawn from all this is that a major crack in the Soviet bloc has become the occasion for nearly as big a crack in the West. The French foreign minister speaks of a "progressive divorce" between Europe and America; West Germany, Britain, and Italy nod assent. Whatever the costs of their tyranny in the East, the Russians are reaping a political bonanza in the West. They are routing Reagan at his own game of economic cold war.

So now what, George Shultz? Although he dutifully endorsed President Reagan's approach in public, the secretary of state, an economist, knows what a muddle the president has made of Soviet policy. His sound

private advice will doubtless run like this: The objective of the United States in Poland, as in the Soviet Union, cannot be to topple Communist power. It has to be coexistence, with norms of conduct that can be defined by agreement and reinforced with economic incentives. In that spirit, the arms race can be contained. The use of force abroad may be discouraged. The nature of Communist government can, to some extent, be made more humane. Only on such a platform will the allies be persuaded to hang together.

Economic pressure can help if skillfully deployed. The Russians will pay any price to defend vital interests; but they will modulate their action, even in Poland, out of respect for Western reaction. However, these pressures will backfire unless applied in unison.

It is right to oppose any Western credit and trade terms that subsidize the Soviet military, the invasion of Afghanistan, the suppression in Poland. But the allies, like Kansas farmers, do not thus deal with adversaries out of altruism. They hunger for markets and will deny themselves only for well-defined, shrewdly led political efforts.

Poland proves that cheap and unwise loans are foolish gifts, risking bankruptcy at home as well as in Warsaw. The easy credit poured into the pipeline is further proof that bankers and private industries cannot coordinate trade with diplomacy. Credit is the one commodity that capitalist governments should control directly and parcel out for political objectives. But for that they must take charge of their bankers, agree on objectives and arrange to share sacrifice fairly.

The paradox of cold war sanctions is that they are useless without sincere negotiation, first among the allies, then with Moscow. It is too late to resuscitate Poland's Solidarity or to stop the pipeline. It is never too late to temper anger with reason.

El Salvador Needs Aid

From THE WASHINGTON POST

Two wars ago, before the Falklands and Lebanon, El Salvador was at the hot center of American foreign policy debate. The political calendar is reviving the issue. It's aid time. President Reagan must act by the end of July that El Salvador is making progress on human rights and reforms, and Congress must then decide on amounts and terms.

Let us go to the particular issue, land reform, that events have made a far surrogate for other issues of concern. When last heard from land reform was being done in by the assembly elected in March. An aroused Congress was threatening to cut aid. And now?

It helps to ask why the new Salvadoran assembly started hacking at phase three of a reform whose first phase (taking over of farms) remains intact and whose second phase (medium farms) was stillborn under the previous Duarte government for lack of funds. Phase three was to give "land to the tillers" — pieces of land under 17 acres to renters and sharecroppers. The Duarte government, however, finding a huge hitch, directly suspended "Decree 207." Farmers would not work for wages, waiting to rent so they could take title, and owners would not rent, knowing they would lose title, and as a result production plummeted.

The new post-election president, the pro-reform Alvaro Magaña, thought to slip this production noose by formally suspending 207

for one crop cycle on land for cotton and sugar, which are export crops. The anti-reform assembly, however, mischievously added cattle and cereal land. Seeing reform falter, Congress took the aid knife in hand.

What Congress missed is the sequel: Salvadorans reacted strongly, some in anger, some in relief, to the aid threat. Both the law and administrative procedure were clarified and titles are again being distributed, although performance is erratic. The basic point remains that the reform is now accepted and newly protected not just by the executive branch, which was put in place by the pro-reform army leadership, but also by the same assembly that had earlier impeded progress.

There is too much blood in El Salvador, and too much backwardness. There are good people in and around the government, and some weak and corrupt people. Anyone hunting for evidence on which to flunk El Salvador can easily find it.

It seems to us vital, however, to try to understand how hard it is for a poor, underdeveloped country racked by war and revolution to demonstrate to the satisfaction of other countries that it is modernizing with sufficient speed. Success cannot be guaranteed for the effort by the United States to nourish democracy and reform in El Salvador. Failure can. All you need to do to guarantee failure is pull the plug on aid.

Other Editorial Opinion

Moscow Must Be Laughing

It is far from unreasonable to argue that the main thing holding Poland back from civil war and the rolling in of the Soviet tanks is the hope of gradual economic and political improvement. So, has Jaruzelski shown that he deserves encouragement for his success in keeping Moscow quiet? At this point the answer is probably a reluctant yes.

What Jaruzelski has not done, though, is to give President Reagan a face-saving reason to reverse his pipeline veto. Indeed, it looks as though the Americans are more determined than ever to make sure Europe gets nothing out of that deal — a decision that has less and less to do with superpower confrontation and more and more to do with the growing intra-alliance trade war. Moscow must be laughing, and even Warsaw smiling wryly.

— The Sunday Times (London).

Limited European Solidarity

Having so long deplored their lack of unity, their powerlessness to organize or even just to adopt joint positions, Europeans can take cheer today from the opportunity to assert their solidarity that the crises opposing them to the United States provide. Whether in the steel affair or on the issue of the Siberian pipeline, words of solidarity are not lacking.

However, it would be a mistake to overesti-

mate the significance of this "rebellion" or to suppose, for instance, that a new and more solid European structure is going to rise from the ruins of Atlantic unity.

In the first place, the alliance has survived past crises that were even more serious, for example after rejection of the European Defense Community or France's withdrawal from the integrated military command.

Secondly, it is not certain that the solidarity being shown at present could stand up to pressures from Washington if these were to be sufficiently energetic.

Lastly and above all, it would take much more to elicit the political will [whose absence] has blocked the building of Europe. The reaction provoked by the American measures confirms nothing more — as Michel Jobert put it in the newspaper *Le Matin* — than that "Europe exists, however feeble politically, as an economic reality."

In other words, the Europeans oppose Washington's decisions because they affect European pocketbooks, and not because they run up against clearly affirmed determination as regards relations with the Soviet Union — which are the main subject of debate in appearance only. On this there is scarcely more harmony than previously among the soft-liners in Bonn, who remain attached to détente, the hard-liners in London and the semi-hard-liners in Paris.

— Le Monde (Paris).

JULY 26: FROM OUR PAGES 75 AND 50 YEARS AGO

1907: Japan Controls Korea

SEOUL — The governments of Japan and Korea, by Marquis Ito and the premier, Yi Wan Yong, have consummated a new treaty under which Japan is given complete control of the administration of Korean affairs. The premier's authorization to sign was duly sealed by the new emperor, Japan is given practically the same power over the internal administration that she exercises over external affairs, the difference being that while in Korean foreign relations Japan uses her own governmental machinery, in the internal administration the machinery of the Korean government is preserved. The new treaty formally recognizes the Residency-General.

1932: Gorgulov's 'Political War'

PARIS — Pavel Gorgulov, Russian political fanatic, who shot and mortally wounded President Paul Doumer on May 6, is on trial. The verdict rests on two counts: Whether Gorgulov is guilty of voluntary murder; whether the murder was premeditated. If found guilty on both counts, he will be guillotined. In court, the burly Russian gave vent to an outburst of self-justification to convey the meaning of the "creed" for which he now "gladly laid down" his life. "When I came in France," he said, "and saw a people living in plenty, and thought of the 5 million Russian peasants groveling over their lives, I knew that political war alone could alter the world."



Foreign Policy at Stake

Should America Try to Go It Alone?

By Flora Lewis

PARIS — Reflecting on the sudden new outbreak of friction between Europe and the United States, French commentator André Fontaine recently spoke of "California Gaulism." It was not meant as a compliment, even from that longstanding admirer of Charles de Gaulle.

Fontaine specified that he meant a leadership "carrying little about the advice, less about the interests of others, even allies," when national interest is asserted. The French, who make a virtue of "sacred egoism," are not the best placed to complain about other countries putting themselves first. But they do reflect widespread renewed doubts about Washington's view of the alliance.

There was a lot of talk in the United States about cutting loose from Europe before President Reagan's recent trip with his sweeping pledges. Isolationism is one way of going it alone. Unilateralism is merely another, more adventurous and probably more costly. But more and more people are coming to ask explicitly about reviving the old idea of "Fortress America."

Paul Estle, of Kaslo, Alaska, writes to say, "I have yet to encounter a scenario describing the sequence of dire events which would occur if the U.S. did try to go it alone." He urges isolationism, and his argument is not strident or emotional.

"English-speaking North America is the only big area of the world currently capable of feeding itself from resources within its borders, if we can forgo chocolate and coffee. We are nearly self-sufficient, or could be, in most metals, especially if we went after the manganese nodules of the deep ocean floors without waiting for the permission of the rest of the world. We probably could make do with our own oil without much distress."

"Therefore I am in favor of instituting a high degree of isolation from the rest of the world eco-

nomically and militarily and politically." And Estle concludes with the observation that "nuclear missiles could destroy any fleet bearing an invading army toward our shores, and a conquering army could not come by air."

The agency of this approach is that the writer is not a victim of the preposterous notion that the United States alone could impose order on the world, or that it could benefit from its international role without accepting responsibilities.

That at least clarifies the debate. The central questions then become: Can isolation be secure? How high would be the price in living standards? Does such egotism reflect the social and moral goals of most Americans?

On the face of it, continental defense looks a lot cheaper and easier than trying to maintain some kind of global balance, with or without allies. But it assumes the unreserved assent of Canada, not to be taken for granted. And Mexico? It is weak militarily but it has more than 65 million people and will probably have 100 million by the year 2000.

Would isolationism assure the neutrality of Mexico and Central and South America? There would be no guarantees, particularly if U.S. economic retreat left countries with exploding populations to fester in misery. Adversaries, with their own problems, might not seek to establish hostile bases in the Western Hemisphere or block the Panama Canal, but the isolationist thesis must take account of the possibility.

Reliance on nuclear defense against invasion does not prevent nuclear blackmail, menacing the United States with devastation if it uses missiles first against approaching military targets.

The second question is even more problematical.

Can Reagan Still Inspire Confidence?

By James Reston

WASHINGTON — Looking back over the first half of his administration and planning for the second half, it must have occurred to President Reagan that even many of his own supporters, who like him personally and long for his success, have serious doubts about his leadership.

Otherwise it would be hard to explain why so many of his principal appointments have resigned in this critical period of decision on economic and foreign policies over the last few weeks and months.

In the field of foreign and security affairs, Secretary of State Alexander Haig, Richard Allen, head of the National Security Council, and Admiral Bobby Ray Inman, deputy director of the Central Intelligence Agency, either jumped or were shoved — all of them leaving with presidential letters of profound regret.

'Center of the Real World'

By David S. Broder

BEAVER ISLAND, Mich. — I take a lot of abuse from colleagues back in Washington who spend their summer vacations at fashionable places on Cape Cod or the coast of Maine. They insist that because they have cocktails with an undersecretary and cookouts with an ambassador, they are more "with it" than we are on this never-beard-of-it island at the top of Lake Michigan.

They are wrong, of course. I have known for more than 30 years that Beaver Island is the center of the real world, and this summer has proved it once again. Not since Bud's gas pump split its guts trying to compute prices during the summer of the oil embargo have we had such dramatic evidence of the impact of outside concerns on this backwater.

The first thing that hits your eye is the gaping hole in the pole-barn across from that famous gas pump in front of McDonough's store. It is a symbol of the national concern with the problem of drunk driving.

That has not been a serious problem here, not because people don't drink and drive, but because the odds are heavily against a drunk driver finding anything to hit. That did not stop a well-known islander. He clobbered that shed as if he had taken aim — which he might have.

The driver was sent off to the mainland to dry out. As somebody said, he'd got to the point where he was a menace to safety just walking down the sidewalk.

What was puzzling about the damage to the pole-barn was that it looked like the point of impact was about 10 feet up from the ground. Someone said he must have been coming down from a tree when he hit, and that seemed to satisfy people.

me off Beaver Island last summer, so this was my first visit in the Reagan era. Naturally, there are changes. The recession has slowed business to the point that Woodrow Wilson Sears has time to see that the paint you ordered gets on the ferry boat from Charlevoix the same summer you ordered it. In prosperous times, that never happened.

We had a fine example of Reagan voluntarism at the dinner dance marking the 25th anniversary of the Beaver Island Historical Society.

Dinner dances are sort of new here. The music was to be supplied by Eddie Palmer and the Beaver Island Boys, an up-to-date group with plug-in guitars and everything. But it became apparent as they fussed with the amplifiers on the stage of the parish hall that there was a problem. Word circulated that they couldn't get a steady flow of current.

Well, as luck would have it, our local energy czar, Jewell Gillespie, who runs the electric co-op, is also the piano player for Eddie and the Boys. (Very strong left hand, reminiscent of Tatum.) He disappeared in his pickup, came back in a few minutes and gave the signal to begin. The music burst forth in all its electronic glory.

To a few moments the mystery was solved. Skip McDonough, who lives down on Big Sand Bay, five miles south of town, came up. "You might as well keep dancing," he said. "He's cut off all the power south of the Four Corners."

So, while two-thirds of the island sat in darkness, we swingers had our ball: self-reliant, not looking to government for any kind of handout, content as can be with our island, our energy policy, our Sears paint and our dinner dance.

evacuation, whatever else it may mean, is clearly no vote of confidence in Reagan or his policies. Everybody has been very polite about it and nobody has slammed the door on the way out — but there is obviously a problem — not only with high interest rates and high unemployment at home, but with policy abroad.

Reagan is not in as much trouble with his political adversaries in the Democratic Party or in Moscow, who are also confused about the tangles of this highly piggy-backed world, as he is with his allies, who don't know what he's doing from one day to another.

They are sore at him for insisting that their companies cannot transfer U.S. technology for the Soviet-European pipeline and are claiming that this is an illegal breach of contract. The fact is that the European licensees agreed in writing not to transfer this technology to the Soviet Union without consent, and are themselves in breach of contract.

This is not a legal but a political issue. Reagan had the legal right to do what he did. The question is whether he was wise to reduce a philosophy of peace to an argument over a gas pipeline, and insist on a legal right that would divide the allies without really hurting the Soviets, at a time when he was still shipping millions of tons of grain to Moscow.

But this is precisely why the president is getting into trouble both with his own people at home and his allies abroad. For he deals with each problem separately, favoring the American farmers one day in trade with Russia, and punishing the Europeans for trading with Moscow the next, with no connecting rods or coherent policy overall.

Just when he is going into nuclear arms control negotiations with the Soviets, he announces that he won't consider a nuclear test ban until the

Soviets amend other treaties agreed upon in the past.

He deplores the spread of arms all over the world, but ships more of them to Israel without control and even more to anybody else to the poor nations that can't afford them.

He insists that his tax reduction will encourage people to save more, invest more, produce more and create more jobs, but unemployment in the United States is still running at more than 9 percent and his own Department of Labor announces that one out of every five workers was out of a job at some time in 1981. Obviously this is not Reagan's fault, and he cannot correct in two years the staggering blunders of Washington over the previous 20. But time is running out, and confidence in his proposed remedies is running out.

Reagan seems to recognize this, for lately he has been flying around the country arguing his case on television talk shows, and his aides have been staying up all night trying to explain on radio what Reagan means — all this in the conviction that public relations is the answer to the Reagan problem. But at half-time in this administration, there is a pause for reflection, with some new men in the lineup. George Shultz is at the State Department, and this, it is hoped, may make a difference.

The particular issues in the dispute between the parties and the allies over gas pipelines and steel exports will probably be forgotten before the leaves fall. The fate of the alliance, which has kept the peace for more than two generations, obviously does not depend on these things.

But on the capacity of the allies and their peoples to have confidence in the judgment of the American president, a great deal depends. This has been Reagan's failure in the first half of his term and is the challenge of the second half.

The New York Times.

LETTERS TO THE EDITOR

Response to Khonsari

Regarding "Divided Iranians Brace For Impending Chaos" (HT, July 14): Mehrdad Khonsari uses your columns not only to advertise his so-called National Movement of the Iranian Resistance but to put it on a par with the National Council of Resistance, but also to try to give a distorted picture of the latter to your readers, maliciously attributing to it "close alignment with the Soviet Union."

The foreign policy of the NCR is stipulated in its program for a proposed provisional government as "based upon independence, nonalignment, withdrawal from all colonial politico-military pacts, and defense of the interests and territorial integrity of the country."

cial democrats and constitutionalists" who supposedly form his "coalition," and disclose their role and significance in the bloody resistance which has been going on throughout Iran for over a year. The National Council of Resistance led by Massoud Rajavi and encompassing the People's Mujahidin Organization of Iran and the Kurdistan Democratic Party of Iran — to name but two movements — has carried out thousands of armed attacks on the regime and its personnel in the last 13 months and continues to do so fervently despite thousands of casualties.

G. H. BAGHERZADEH, London.

It was refreshing to hear a new voice on Iran instead of the old

Bolstering Caribbean Confidence

By Jonathan Power

LONDON — Soon after taking office, the Carter administration decided to give high priority to an economic lift for the Caribbean Basin. But it ended up downplaying economic help and emphasizing military support. Now the Reagan administration has made the same journey in the opposite direction.

At first it thought the issue was essentially national security. But before a year was out, Reagan was launching his Caribbean Basin Initiative, an economic plan to prevent "new Cuba" from rising "from the ruins of today's conflicts."

This is the Reagan administration's only new initiative on the economic front in the Third World, yet it is being torn apart by its critics. It is the victim of three powerful lobbies.

The first is the lobby of those who oppose the administration's policy of supporting the Salvadoran right against the left. The administration, in deciding that one-third of the Caribbean Basin Initiative's economic aid would go to a single country, has made the program hostage to those who are less devoted to the overall needs of the Caribbean than to halting U.S. involvement in El Salvador.

The second lobby is the anti-free-traders. The centerpiece of the initiative is free trade for Caribbean Basin products except textiles and apparel. This is the first time the United States has ever proposed one-way free trade with no conditions for reciprocity. The proposal has brought an avalanche of lobbying from unions and industries representing leather, rubber, footwear, rum, automobile parts, tuna, mushrooms and perishable farm products, demanding that their products be exempted.

The administration, barely two months after announcing the initiative, fed raw meat to the lions of protectionism and should not be surprised that they are now asking for more: It agreed to raise the U.S. domestic price of sugar by establishing a global sugar quota system. This made nonsense of the duty-free provision and will leave several of the sugar producers worse off than before.

The third lobby is passive: the bulk of liberal opinion which basically believes that the Reagan administration can do no good and that the Caribbean Basin Initiative is merely a cover for some devious design.

It is argued that about 87 percent of the region's exports already enter the United States duty-free, and that another 5 percent will be excluded as textiles. So, the argument goes, the initiative is unworthy of support, given its many other defects, not least its bias toward Central America, and toward the private sector.

Yet, as unions and industrialists have shown by their lobbying vigor, the Caribbean initiative is opening an important window. It will give incentives for medium-sized investments in light manufacturing and horticultural products. And the aid program represents a doubling of U.S. aid to the region in a single year.

Perhaps the least understood but most important aspect of the proposal has to do with confidence. The Caribbean and Central American nations are struggling to survive, with the odds stacked against them. Commodity prices have never been so low. Private capital is slow to move southward, given the underutilized capacity in the industrialized countries. And high interest rates are making the repayment of old debts and the raising of new loans a hazardous business. The Caribbean Basin Initiative provides a signal of much needed confidence that can complement other efforts, such as David Rockefeller's attempt to line up new foreign investors for Jamaica.

Perhaps it was a conceptual mistake to lump Central America together with the Caribbean. As Edward Seaga, prime minister of Jamaica, puts it, the description "Caribbean Basin" is "more a term of art than logic." It would have been easier to mount a crusade on behalf of the Caribbean islands.

With the exception of Cuba, Grenada and Haiti, they are democratic. In the last two years most of them have had elections in which they have thrown out the profligate free spenders and returned governments which understand that the first requirement is to put their own houses in order, removing disincentives, rationalizing the state sector and inspiring the confidence of foreign investors.

Many political analysts of the Caribbean assume that under the pressures of recession, unemployment and labor unrest, these countries would shift leftward toward Cuba. They have not; politicians who advocated that course have been trounced.

The new leaders have only so much time in which to prove that an alternative course is viable, before countries are perhaps driven to the political instability of Central America. The Caribbean Basin Initiative, for all its flaws, is worth fighting for.

It is too late to redesign it, but hopefully it is not quite too late to save it from oblivion.

International Herald Tribune.

A Caricature

William Pfaff writes (in "Arab Jew Hatred Threatens an Caricature," HT, July 15): "At the very heart of the world would scrupulously refuse to tolerate caricatures. It would make a small but essential contribution to the spirit of life over death in the Middle East." On the same page appears one of Pfaff's vicious caricatures of Prime Minister Begin.

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With Summit Nearing, OAU Future Is Clouded By Split Over Polisario

By Alan Cowell
New York Times Service

NAIROBI — The Organization of African Unity begins preparations for its annual summit this week, looking back on a year of division and ineffectiveness that threaten its survival as the credible spokesman for a continent.

The organization is also confronted with an uncertain year ahead under the chairmanship of Libya's unpredictable Col. Muammar Qaddafi, who will assume the position during the summit, to be held in Tripoli.

African foreign ministers open their preparatory discussions in Tripoli on Tuesday, and the summit proper will begin Aug. 5. The foreign ministers had been scheduled to begin meeting Monday, but Qaddafi, OAU secretary-general, announced Sunday in Tripoli that that meeting had been postponed until Tuesday. He gave no reason for the postponement.

The foreign ministers will try to come up with ideas to resolve the most disastrous split in the OAU's 19-year history.

The split opened in Addis Ababa in February, when 26 African nations decided, at a foreign ministers' meeting to admit the Polisario Front representing Western Sahara, as the OAU's 51st member. The decision prompted a boycott of the gathering by 19 states under the leadership of Morocco, which administers the Western Sahara and is fighting a war against the Polisario insurgents.

Question of Sovereignty

The decision to admit Polisario raised the question of whether the Polisario guerrillas fulfilled OAU membership criteria requiring newcomers to be sovereign in their own lands.

It also prejudged the OAU's own policy toward the Western Sahara, formulated during last year's summit in Nairobi, calling for a referendum to allow the people of the region, formerly the Spanish Sahara, to decide for themselves how they want to be ruled.

The decision prompted such a fierce division in the organization that two subsequent meetings of

OAU ministers were disrupted by boycotts.

The crisis is bound to come to a head in Tripoli because the OAU's rules require a quorum of two-thirds of its membership for any meeting to be legal. Morocco and at least 11 other countries have indicated they will not attend the summit, and the Rabat authorities are leading a campaign to prevent a quorum from being formed in Tripoli. A quorum would be formed by 34 states.

Kenyan Expects Quorum

Robert Ouko, the Kenyan foreign minister, said before leaving for Tripoli that he believed the foreign ministers' preparatory meeting would form a quorum.

But if the foreign ministers then are unable to make progress toward a settlement, there is a question about whether the heads of state can.

And a failure to do so would mean at least the temporary collapse of the OAU, Western diplomats said. It would also crown a year of embarrassments for the OAU's current chairman, President Daniel Arap Moi of Kenya.

The main initiatives undertaken during Mr. Moi's leadership have been on the Western Sahara and on Chad, where the OAU deployed its first peacekeeping force. The presence of the 3,500-man army was not enough to enforce a political settlement, or to prevent rebels from overrunning the Chad capital, N'djamena, and forcing President Goukouni Oueddi to flee.

Some Western diplomats have blamed the organization's failures this year on the ponderousness and indecisiveness of the Kenyan chairmanship. But that assessment ignores a fundamental weakness in the OAU: Like other international bodies, it lacks an effective, institutional form of consensus among those of its members flouting its directives and thus has little power beyond appeals to good will, reason and African solidarity.

Agreement on Broad Issues

The OAU was created in 1963 as a symbol of an emergent continent's aspirations toward a pan-Africanism that would prove a stronger force than the colonialism its new rulers were replacing.

But the organization increasingly resembles a collection of sovereign states with interests coinciding only on broad issues, such as abhorrence of white minority rule in South Africa.

African diplomats said the organization's credibility is its stock in trade and that credibility is now in jeopardy. Nigeria, in particular, has embarked on a diplomatic crusade to save the Tripoli summit, the diplomats said.

Qaddafi's Aspirations

Col. Qaddafi, too, has a big stake in the success of the Tripoli summit, for leadership of the African body, Western diplomats in Tripoli said, would fulfill his yearning for international recognition.

Tripoli was nominated as the venue for the forthcoming summit at last year's Nairobi gathering, and since then, the diplomats said, Col. Qaddafi has sought to display good faith toward Africa, notably by withdrawing his troops from Chad last December when the Nijamena government requested the pullout.

But there are other omens. Uganda recently accused Libya of training the guerrillas who are fighting against President Milton Obote's government. Libya denied the charges.

And Libya reportedly is helping fund the Ethiopian-based Somali Democratic Salvation Front, an insurgent group opposed to President Mohammed Siad Barre of Somalia.



Rubble from flash flooding swept through Nagasaki, Japan, burying people, cars and homes.

196 Dead, 187 Missing in Japan Floods

Reuters

TOKYO — Severe floods in southern Japan have killed 196 persons, police officials said Sunday, and 187 others are missing.

Workers recovered bodies that had been buried in landslides or washed away into the sea after torrential rains hit Friday and Saturday.

The area worst hit was the city of Nagasaki, where 166 persons are known to have died, the national police agency said. Telephone and land communications with the city and nearby towns remained difficult.

Almost 30,000 homes were flooded as the rain drenched the area and caused the Nakashima River to burst its banks.

Police officers were seeking more bodies in collapsed houses and used nets to recover others that had been washed out to sea.

A total of 22 inches of rain (545 millimeters) fell in 40 hours, setting off hundreds of landslides. At one stage, the rain was falling at the rate of four inches an hour.

Electricity, gas, telephone and transportation services were cut throughout the island of Kyushu, where Nagasaki is located.

Sunday, heavy rain was spreading northeast toward Tokyo.

The Nagasaki deluge occurred at the end of the summer rainy season.

A similar disaster occurred in July, 1957, when 856 persons were killed in Ishaya, which is near Nagasaki.

In the latest storm, many houses were crushed or swept into the river and bridges were destroyed or damaged. Thousands of people were evacuated.

Key Zimbabwe Air Base Attacked; Nkomo Backers Abduct 6 Tourists

Compiled by Our Staff From Dispatches

HARARE, Zimbabwe — Zimbabwe's main air force base was attacked Sunday and a number of aircraft were damaged, a government statement said.

In the early hours of Sunday, entrance was gained into the security area of Thornhill Airport Station, Gweru, where a number of aircraft were damaged. An Air Force of Zimbabwe board of inquiry with the assistance of police is being conducted, the government said.

The statement gave no further details. The base was sealed off by troops and police.

Most of the major air attacks launched by the white Rhodesian regime during the country's guerrilla war before independence came from Thornhill, outside the town of Gweru.

Meanwhile, followers of Joshua Nkomo, the opposition leader, kidnapped six foreigners from a safari and reportedly threatened to kill them unless jailed supporters of Mr. Nkomo are freed. Mr. Nkomo, fired from the coalition government in February for allegedly plotting to overthrow Prime Minister Robert Mugabe's government, urged the gunmen Sunday to free the hostages.

People living near Thornhill reported a series of explosions lasting about 45 minutes, followed by flames spilling from buildings. Some informed sources said they believed as many as 12 planes may have been hit, including some of the four new Hawk aircraft that arrived from Britain less than two weeks ago.

It was the second major attack on a Zimbabwean military installation since white-ruled Rhodesia became black-ruled Zimbabwe two years ago. Last August, explosions destroyed munitions dumps at Inkomo barracks near Harare, then known as Salisbury. The government blamed South African agents.

Four months later a bomb wrecked the headquarters of Mr. Mugabe's party, killing six persons and wounding 150. No arrests are known to have been made. Late last month gunmen fired on guards at the gates of Mr. Mugabe's official residence in Harare, formerly Salisbury.

Gweru is halfway between the capital and Bulawayo, the principal city in Matabeleland province, the tribal stronghold of Mr. Nkomo's party, where former guerrillas loyal to the opposition leader have been accused of campaigning against the government.

A dawn-to-dusk curfew was imposed Sunday on western Zimbabwe as paratroopers, police with tracker dogs, and planes searched for the gunmen who abducted two Americans, two Australians and two Britons on Friday. Anyone who violates the curfew can be shot on sight.

British and U.S. consular officials were sent to Bulawayo, 40 miles (64 kilometers) south of where the foreigners' safari was halted by a roadblock of fallen trees on a main highway.

The gunmen, armed with AK-47 assault rifles, fired at the truck in which the party of 10 foreigners was traveling. No one was hurt. The gunmen then released the four leader, Bruce Watkins, 35, of New Zealand, with a message to Bulawayo police that the hostages would be slain unless jailed followers of Mr. Nkomo were freed within a week.

The gunmen, described by the government as dissidents — official terminology for the hundreds of soldiers loyal to Mr. Nkomo who deserted the army after he was fired — also released the three women in the party.

Mr. Watkins, the tour guide employed by London-based Encounter Overseas, said the message he took to the Bulawayo police demanded the release of "political prisoners," without elaboration.

At least 200 people, many of them former guerrillas and supporters of Mr. Nkomo, have been detained without charge since Mr. Nkomo was fired.

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Hijackers Seize Chinese Airplane, Are Subdued by Crew, Passengers

Compiled by Our Staff From Dispatches

PEKING — Five hijackers seized a Chinese airliner on a domestic flight Sunday but were overpowered by crew members and passengers, Chinese and foreign sources said.

One of the hijackers detonated a grenade, injuring himself and his accomplices, but all the passengers — including two Americans — were safe, a Chinese aviation official said.

The Japanese Foreign Ministry reported that all five hijackers had been killed in the hijacking, but a senior Chinese aviation official denied the report.

"Some of the hijackers were injured," he said. "They were all apprehended by authorities after our personnel on board bravely struggled with them and won."

The official said that the plane landed safely in Shanghai, 780

miles (1,250 kilometers) southeast of Peking, and that none of the passengers was injured. He did not have the identities of the two Americans he said were on board. Kyodo, the Japanese news agency, said there were 80 passengers on the plane.

It was the first reported hijacking in China. There were unconfirmed reports last year of a hijacking that was aborted before the air pirates got on the plane.

China formally began security checks on passengers on domestic flights in November, seven months after starting them for international flights. Before that, there were only occasional checks of hand luggage on domestic flights.

The Ilyushin-18, a Soviet-made four-propeller plane, was flying from Xian to Shanghai when the five suddenly announced they had

dynamite and wanted to fly to Taiwan via Hong Kong, Japanese sources said.

They said the captain pretended to agree, but instead flew around Shanghai for two and a half hours. Then, they said, the captain and pursuer and about 15 Chinese passengers rushed the hijackers.

The Japanese Foreign Ministry said it had received a report on the hijacking from its consulate general in Shanghai. The report, based on accounts by Japanese passengers on the plane, said the hijackers were killed when the co-pilot and some passengers attacked them with beer bottles.

When the airliner made an emergency landing at the Shanghai airport, the impact caused several flat tires and the airport was closed for about an hour, Kyodo reported.

Senior Chinese Aide Asks Chiang To Invite Him to Taiwan for Talks

The Associated Press

PEKING — A senior Chinese official has asked President Chiang Kai-shek of Taiwan to invite him for a visit to talk about peaceful reunification.

A message Saturday by Liao Chengzhi, 76, the son of a former leader of Mr. Chiang's Nationalist Party, was addressed to "dear brother Chiang-kuo," and referred to "our childhood friendship" and "our chaste in the Soviet capital" where Mr. Chiang was educated.

Radio Peking and the Chinese news agency distributed the text of the message, saying it had been sent to Taiwan by cable.

Last September, China formally proposed reunification of the country, saying that Taiwan could keep its army and run its own affairs without having to adopt Communism. It also offered unspecified government posts to Taiwanese officials.

In October, the Chinese offered to provide oil and coal for Taiwanese industries and subsequently invited Nationalist Chinese officials to visit their hometowns on the mainland.

Taiwan has rejected all of Peking's overtures as efforts to subjugate the Chinese on Taiwan.

"You have time and again pronounced that there should be 'no contact, no talks and no compromise,' which I think is inadvisable," Mr. Liao's message said.

The message included an indirect denunciation of the United States, which has urged Peking by continuing to sell arms to Taiwan. "Peaceful reunification is entirely an internal affair of China. Those outsiders who talk glibly about it have designs on our Taiwan," Mr. Liao said.

In Taipei, Premier Y.S. Sun repeated Taiwan's position Saturday, calling on the Chinese Communists to accept the Nationalist constitution as a basis for reunification. He urged them to give up



Chiang Ching-kuo

Liao Chengzhi

their basic principles, including Socialism and leadership by the Communist Party.

There was no indication whether Mr. Liao knew of Mr. Sun's statement before he wrote his message. Mr. Liao ridiculed Taiwan's assertions of "economic prosperity, democracy and easy livelihood."

Mr. Liao, a member of the Communist Party Central Committee, told Mr. Chiang that, if he helped bring about reunification, his "name would be inscribed in the temple of fame." He asked how long Taiwan's leaders could expect to maintain their situation in "that small corner."

"This is a question that those who are sensible are already turning over in their minds," he said. "Taiwan is bound to return to the embrace of the motherland eventually."

Mr. Liao said an early settlement would allow people on Taiwan to live in peace and happiness and would end the pain of separation for divided families.

He said he had heard that Mr. Chiang was "somewhat indolent" and this has caused much concern. Men in their 70s are often afflicted with illness. I sincerely hope that you will take good care of yourself."

Foreign analysts have said that Peking hopes to start reunification talks while Mr. Chiang, 72, is alive, because of fears that the next generation of leaders on Taiwan will not feel strong links with the mainland. "It would be easier to talk the matter over when leaders on both sides were once schoolmates and close friends who know each other well," Mr. Liao said.

He told Mr. Chiang that if he did not help to bring about reunification, the remains of his father, Chiang Kai-shek, could not be brought back to the mainland, and that Mr. Chiang "would hardly be able to escape the blame."

Chiang Kai-shek was the Nationalist leader when the Communists took control of mainland China in 1949. He died in 1975 on Taiwan.

West's Dominance Of Media Is Topic Of Unesco Meeting

The Associated Press

MEXICO CITY — Celebrities and government officials from 100 nations are gathering Monday for a Unesco conference that could challenge the dominance of Western culture in literature, home products, television and movies.

Sources close to Unesco said that the United States is certain to be in the minority if the conference adopts, as expected, closing recommendations that would commit the organization and its member governments to a greater state role in regulating cultural pursuits, especially in the communications field.

The draft agenda for the conference warns that modern communications have led to the "development of 'cultural industries' that can 'cover the globe with their distribution networks. They are thus able to 'encourage mediocrity, to standardize tastes, to distort certain cultural values, and to affect the behavior patterns of many populations groups.'"

Melina Mercouri, the Greek minister of culture and actress, Costa Gavras, a film director, Simone de Beauvoir, a French author, and Charlton Heston, an American actor, are among the 100 delegates planning to attend the two-week world conference on cultural policies.

Col. Qaddafi, too, has a big stake in the success of the Tripoli summit, for leadership of the African body, Western diplomats in Tripoli said, would fulfill his yearning for international recognition.

Tripoli was nominated as the venue for the forthcoming summit at last year's Nairobi gathering, and since then, the diplomats said, Col. Qaddafi has sought to display good faith toward Africa, notably by withdrawing his troops from Chad last December when the Nijamena government requested the pullout.

But there are other omens. Uganda recently accused Libya of training the guerrillas who are fighting against President Milton Obote's government. Libya denied the charges.

And Libya reportedly is helping fund the Ethiopian-based Somali Democratic Salvation Front, an insurgent group opposed to President Mohammed Siad Barre of Somalia.

UN Seeking Personnel For Namibia Transition

By Frank J. Priol

New York Times Service

UNITED NATIONS, N.Y.

The Secretary has issued a call for staff members interested in working with the UN Transition Assistance Group in South-West Africa (Namibia).

The U.S. State Department recently announced that a key phase in negotiations to end the guerrilla war in Namibia had been completed and that it was likely that the territory controlled by South Africa would become an independent nation sometime in 1983, after years of fighting between South Africa and the South-West Africa Peoples Organization.

The most recent stumbling block to a settlement has been the form that a Namibian constitution and constituent assembly would take. The State Department indicated that, after five years of arguing, South Africa and SWAPO had

narrowed the choices to either proportional representation or single-member constituencies.

Guerrilla leaders have since indicated that they will sign on a cease-fire until they know exactly what kind of electoral system will be used in the new country. South Africa continues to insist that it will not sign a cease-fire without an agreement on the withdrawal of Cuban troops from Angola.

Nevertheless, U.S. officials are optimistic that an end to the conflict is finally in sight, and the personnel circular from the UN Secretary would appear to support that view.

The circular, issued by Leila Doss, assistant secretary-general for personnel services, said, "A large number of professional, general, and field services staff will be required from the United Nations and member organizations."

Mrs. Doss said the primary duty of the group will be the "supervision and control of free and fair elections in Namibia" for a constituent assembly to draw up a constitution. The group, which would start work as soon as a cease-fire is called, is to have both civilian and military components operating under a special representative of the secretary-general.

UN police units would operate under the civilian component in cooperation with local police. The commander of the military force would be responsible to the special representative. The representative would have to coordinate his activities with those of the South African administrator, who, with his own staff, would remain in the territory until independence was completed.

Besides overseeing elections, the circular says, the UN group is to see that "all discriminatory laws and practices" are overturned, political prisoners released, refugees permitted to return "and intimidation of any kind from any quarter" prevented.

The circular says that all this is to occur by the time of the election, about seven months after a cease-fire.

On Friday, a Palestine Liberation Organization official was killed in a car-bombing in Paris. The earlier car-bombing, on Tuesday, injured 16 persons. Also Tuesday, two Paris business with links to Israel were bombed, causing some damage but no injuries, and

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Soviet Union Says Growth Rates Are Far Below Target

The Associated Press

MOSCOW — Most key areas of the Soviet economy were relatively stagnant during the first half of 1982, according to statistics published Saturday.

The report by the Central Statistics Board, which was published in major newspapers, showed growth rates throughout the economy were far below targets set in the current five-year plan of the Communist Party, which ends in 1985.

The government said earlier that overall industrial growth was up 2.7 percent during the first six months of the year — far below the 4.7 percent growth projected for 1982 and well short of the 3.4 percent rate achieved during the same period a year ago.

The production of meat and milk, two items of key interest to consumers, also was far below the five-year plan, which calls for large increases in output to relieve what officials admit are shortages. Meat output during the first six months of 1982 was down 2 percent from the same period a year ago, and milk production increased by just 0.4 percent after dropping to a five-year low in 1981.

But he said Haitians had lost the major part of the case: the charge that the government had detained them because they are black.

U.S. District Court Judge Eugene P. Spellman, who ordered their release, found that the policy was not racist. "The detention policy was not directed at [them] because they were black and/or Haitian, but because they were excludable aliens," he said.

Ira Kurzbart, chief lawyer for the Haitians, disputed that Friday, the day the first of the detainees were released. "We think we clearly proved a case of discrimina-

U.S. Holds to Stand Against Aliens

By Mary Thornton

Washington Post Service

WASHINGTON — As the first of about 1,900 Haitian refugees were being released from federal detention camps, the Justice Department remained firm in its stand that it may have lost the battle but it plans to win the war.

Associate Attorney General Rudolph W. Giuliani, who has responsibility for immigration, said in a recent interview, "This administration will firmly enforce the law. The day of just coming into this country and getting in whether you have a right to be here or not is over."

Following the court order to release the Haitians, the Justice Department enacted rules to detain future illegal aliens.

"With the unemployment that we have, with our own cultural and economic problems, we have to enforce the immigration law," Mr. Giuliani said. "We allow more people into our society than any other country in the world."

He said the department had lost its case only on the technicality that it failed to comply with formal rule-making procedures when it decided a year ago to detain illegal aliens.

Major Part

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Ira Kurzbart, chief lawyer for the Haitians, disputed that Friday, the day the first of the detainees were released. "We think we clearly proved a case of discrimina-

tion," he said. A cross-appeal is being filed on that basis.

Mr. Giuliani said he was furious about the racism charges.

"It's not a choice of the government to hold black people, white people, yellow people in detention," he said. "This was an even-handed policy to deal with a national emergency that we inherited. I think we've done a good job turning it around." He said much of the policy is set at the State Department.

'No Civil Strife'

Only five or six Haitians have won formal political asylum this year. Mr. Giuliani said Haitians generally do not have good cases for asylum.

"There's no civil strife going on in Haiti that I know of. Haiti may be poorer than some of the other Latin American countries... but it is not a situation of tremendous political ferment," he said.

In a 1980 decision on the Haitian refugees, Federal District Judge James Lawrence King in Miami reached a different conclusion. He found evidence presented by Mr. Kurzbart to show that Haiti was "shocking and brutal, populated by the ghosts of individual Haitians, including those who have been returned from the United States, who have been beaten, tortured and left to die in Haitian prisons."

But Mr. Giuliani said Haiti had assured the U.S. that returnees would not be harmed.

The Reagan administration is pushing a major immigration reform bill, which would widespread congressional support — to provide amnesty to most illegal aliens now in the United States but to penalize employers who hire illegal aliens and to speed up deportation procedures.

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INTERNATIONAL
Herald Tribune
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«Don't let those wine stewards push you around!»

Jon Winroth tells you how to bear them at their own game in the Herald Tribune's lively new wine book.

Plain talking and witty, this original book brings you more—and difference—information than you ever found in any other wine book. Tips and tales on wine buying, serving and choosing by a man who's made wine his profession for over twenty years. In **WINE AS YOU LIKE IT**, journalist Jon Winroth shares his experiences and even his secrets. A book to read with pleasure or give with assurance. Don't miss it. Order one or several today!

Wine as you like it

U.S. May Ease Alligator Protection As Overpopulation Creates Concern

Prov	Ch	Week	12/12	12/19	12/26	1/2	1/9	1/16	1/23	1/30	2/6	2/13	2/20	2/27	3/6	3/13	3/20	3/27	4/3	4/10	4/17	4/24	5/1	5/8	5/15	5/22	5/29	6/5	6/12	6/19	6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	9/18	9/25	10/2	10/9	10/16	10/23	10/30	11/6	11/13	11/20	11/27	12/4	12/11	12/18	12/25	1/1	1/8	1/15	1/22	1/29	2/5	2/12	2/19	2/26	3/5	3/12	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25	7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31	1/7	1/14	1/21	1/28	2/4	2/11	2/18	2/25	3/4	3/11	3/18	3/25	4/1	4/8	4/15	4/22	4/29	5/6	5/13	5/20	5/27	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	11/4	11/11	11/18	11/25	12/2	12/9	12/16	12/23	12/30	1/6	1/13	1/20	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	4/7	4/14	4/21	4/28	5/5	5/12	5/19	5/26	6/2	6/9	6/16	6/23	6/30	7/7	7/14	7/21	7/28	8/4	8/11	8/18	8/25	9/1	9/8	9/15	9/22	9/29	10/6	10/13	10/20	10/27	11/3	11/10	11/17	11/24	12/1	12/8	12/15	12/22	12/29	1/5	1/12	1/19	1/26	2/2	2/9	2/16	2/23	3/1	3/8	3/15	3/22	3/29	4/5	4/12	4/19	4/26	5/3	5/10	5/17	5/24	5/31	6/7	6/14	6/21	6/28	7/5	7/12	7/19	7/26	8/2	8/9	8/16	8/23	8/30	9/6	9/13	9/20	9/27	10/4	10/11	10/18	10/25	11/1	11/8	11/15	11/22	11/29	12/6	12/13	12/20	12/27	1/3	1/10	1/17	1/24	1/31	2/7	2/14	2/21	2/28	3/6	3/13	3/20	3/27	4/3	4/10	4/17	4/24	5/1	5/8	5/15	5/22	5/29	6/5	6/12	6/19	6/26	7/3	7/10	7/17	7/24	7/31	8/7	8/14	8/21	8/28	9/4	9/11	9/18	9/25	10/2	10/9	10/16	10/23	10/30	11/6	11/13	11/20	11/27	12/4	12/11	12/18	12/25	1/1	1/8	1/15	1/22	1/29	2/5	2/12	2/19	2/26	3/5	3/12	3/19	3/26	4/2	4/9	4/16	4/23	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25	7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31	1/7	1/14	1/21	1/28	2/4	2/11	2/18	2/25	3/4	3/11	3/18	3/25	4/1	4/8	4/15	4/22	4/29	5/6	5/13	5/20	5/27	6/3	6/10	6/17	6/24	7/1	7/8	7/15	7/22	7/29	8/5	8/12	8/19	8/26	9/2	9/9	9/16	9/23	9/30	10/7	10/14	10/21	10/28	11/4	11/11	11/18	11/25	12/2	12/9	12/16	12/23	12/30	1/6	1/13	1/20	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	4/7	4/14	4/21	4/28	5/5	5/12	5/19	5/26	6/2	6/9	6/16	6/23	6/30	7/7	7/14	7/21	7/28	8/4	8/11	8/18	8/
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Steep Discounts Mark New Issues on Market

By Carl Gewirtz

PARIS — It should have been a banner week in the Eurobond market last week. More than \$1 billion worth of new issues were launched after the Federal Reserve announced a less tight monetary policy by cutting its discount rate Monday by half a point to 11 percent.

But the underlying optimism and heavy volume did nothing to boost profits as nearly all of the new issues were quoted at steep discounts, often below the total commissions earned by underwriting the offers.

Virtually all of the issues were marketed with terms anticipating a further improvement in the market sentiment. However, even the joy that Henry Kaufman, chief economist

Eurobond Yields

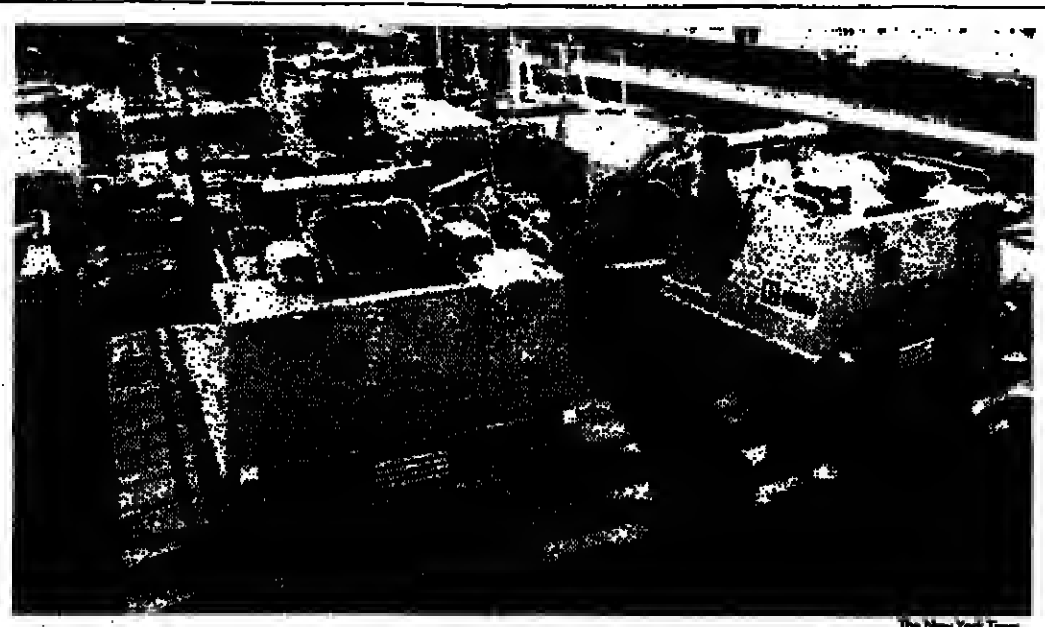
For Week Ended July 21

Int'l. bond, 3-month, U.S.	14.75%
Int'l. bond, 6-month, U.S.	14.25%
Int'l. bond, 1-year, U.S.	13.75%
Int'l. bond, 18-month, U.S.	13.25%
Int'l. bond, 2-year, U.S.	12.75%
Int'l. bond, 3-year, U.S.	12.25%
Int'l. bond, 4-year, U.S.	11.75%
Int'l. bond, 5-year, U.S.	11.25%
Int'l. bond, 7-year, U.S.	10.75%
Int'l. bond, 10-year, U.S.	10.25%

Market Turnover

For Week Ended July 21

Int'l. bond, 3-month, U.S.	14.75%
Int'l. bond, 6-month, U.S.	14.25%
Int'l. bond, 1-year, U.S.	13.75%
Int'l. bond, 18-month, U.S.	13.25%
Int'l. bond, 2-year, U.S.	12.75%
Int'l. bond, 3-year, U.S.	12.25%
Int'l. bond, 4-year, U.S.	11.75%
Int'l. bond, 5-year, U.S.	11.25%
Int'l. bond, 7-year, U.S.	10.75%
Int'l. bond, 10-year, U.S.	10.25%



Caterpillar Tractors have a long wait at plant in Peoria, Ill., before being exported.

Cat Fights to Get Back on Tracks

By Mark Potts

Washington Post Service

PEORIA, Ill. — Like a bulldozer that has unexpectedly hit granite in a sandpile, Caterpillar Tractor Co. has run into hard times.

After posting its best profit ever last year, Caterpillar has just reported its poorest per share results in a nonstrike quarter since the Depression, as its primary markets, construction and energy equipment, have slumped with two years ago had not laid off a single employee in two decades, now has 17,000 workers on indefinite layoff, roughly one-quarter of its total work force.

Not just jobs have been cut. The company has embarked on an aggressive program to reduce costs and inventories. Capital spending plans have been slashed. Earlier this month, Cat, as it is known, cut the pay of white-collar workers 3 to 9 percent and reduced the salaries of 22 top executives 10 percent.

Caterpillar chairman Lee L. Morgan said, "We've bitten a lot of bullets around here."

Caterpillar remains cash-rich and in a good position to borrow money if it needs it, analysts said, and the company's cost reductions will aid its bottom line even if its markets do not bounce back soon.

But Caterpillar, which had prided itself on the

diversity of its business, both by product line and geographically, now finds itself with problems almost everywhere. The troubles come at a time when it already has its hands full with competition from Japanese and European tractor makers, particularly Japan's Komatsu.

What has happened is that Caterpillar's international and energy equipment businesses, which had been offsetting declines in its domestic construction equipment lines, have turned sour as the recession has hit the rest of the world and declining prices have slowed oil exploration and production.

Mr. Morgan said, "The economy has gone to hell, really."

Despite its reputation on Wall Street for conservative, sharp management, Caterpillar did not expect the downturn. Its projections were for rebounds in its primary markets in the second and third quarters this year.

Mr. Morgan said, "This year is turning out to be quite a different year than we had expected it to be."

That Caterpillar avoided disaster as long as it did is a tribute to its diversity.

Although the company is best known for its ubiquitous yellow bulldozers, it makes a variety of other products that in the past have protected it

(Continued on Page 9, Col. 2)

EEC Reverts to Joint Strategy To End Steel Crisis With U.S.

Compiled by Our Staff From Dispatches

BRUSSELS — European Economic Community governments have agreed to present Washington with a joint strategy within the next two weeks aimed at resolving a bitter trade conflict over steel exports.

Ministers from the 10 member states on Saturday gave the community's Executive Commission an exclusive mandate to seek a solution to the dispute, provoked by U.S. measures against what it sees as illegally subsidized West European steel exports.

But diplomats said Sunday the EEC Commission, which has said the community must retain over six percent of the U.S. steel market, would be hard pressed to beat the Aug. 6 deadline.

The new talks will have to produce an accord acceptable to the struggling U.S. steel industry in a climate embittered by sharp transatlantic differences over a pipeline to carry gas from Siberia to Western Europe.

The U.S. industry wants to limit the EEC's share of the U.S. market to a maximum five percent.

The decision to revert to a joint strategy came only two days after community governments worst hit by U.S. duties — Italy, Belgium, France and Britain — offered bilateral arrangements that would have allowed Washington to suspend the duties. But the United States swiftly rejected that proposal.

Danish Foreign Minister Kjeld Olesen, president of the EEC's council of foreign ministers, said "No one of us will gain profit from any move toward a trade war."

"Who will win out? The party situated in Moscow."

He called a conflict between the Europeans and United States over steel "a test case" of cooperation between allies. "The steel problem cannot be separated out from other problems in transatlantic relations," he said.

In Washington, Lionel Olmer, undersecretary of commerce for international trade, said he welcomed the EEC's decision. But he stressed that any settlement would have to "resolve the injury caused to the U.S. steel industry by subsidized steel imports."

Europe rejects this charge, saying its steel subsidies are tightly controlled and used only to further restructuring.

Eugene Davignon, the Executive Commission vice president in charge of industrial policy, said, "We are proposing a comprehensive agreement to conclude peace on the steel front and end all U.S. legal proceedings against European exports."

He said that the influence of the new talks would be decisive on the

"conclusions Europe will form on its relations with America."

The EEC strategy is aimed at getting the Reagan administration to lift special duties on steel imports from seven European countries.

In return the Europeans would be willing to limit their exports to reduce their share of the U.S. steel market below its current level of 6.5 percent.

After U.S. Commerce Secretary Malcolm Baldrige reject the offer Thursday of a 10-percent cut in 1981 U.S. market share by four EEC members, EEC sources said the United States had countered with a demand for cutbacks of 23 percent for France, 35 percent for Italy, 38 percent for Belgium and 44 percent for Britain.

Mr. Davignon said the EEC

(Continued on Page 9, Col. 1)

New Economist at State Is Old Friend of Shultz

New York Times Service

WASHINGTON — After the tumultuous tenure of Alexander M. Haig Jr., the State Department has been placed in the hands of a group of men noted for their calm, conservative and self-assured authority.

Probably no one personifies the personality shift on the seventh floor at Foggy Bottom more than W. Allen Wallis, the economist and chancellor of the University of Rochester, New York, who has been named undersecretary of State for economic affairs.

Mr. Wallis, 69, is a longtime friend and colleague of his new boss and fellow economist, Secretary George P. Shultz.

Like Kenneth W. Dam, the University of Chicago provost who was Mr. Shultz's choice as deputy secretary of State, Mr. Wallis is expected to provide the administrative experience and, above all, the personal loyalty that Mr. Shultz will need in order to dominate the State Department.

These qualities, rather than any particular ideological bent, are probably the most important factors in Mr. Wallis's appointment.

Milton Friedman, the economist who has known Mr. Wallis since the two were graduate students together at the University of Chicago in 1933-34, said, "Shultz is bringing in people he has respect for and whom he can work with constructively, rather than someone who will go off on their own track."

According to State Department sources, Mr. Wallis was approached about the position of undersecretary months ago.

Ernest Lefever, president of the Washington-based Ethics and Public Policy Center and a State Department consultant, said, "I think he would have gotten the job even if Haig had remained."

Mr. Wallis, who has declined to be interviewed pending confirmation hearings, holds credentials including a stint as dean of the University of Chicago's business school, almost 20 years at the helm of the University of Rochester, appointments to special commissions by every Republican president from Eisenhower to Ford, and directorships of numerous major corporations.

A noted free-market economist, he is a disciple of the late Frank Knight, founder and dominant influence on the so-called Chicago School of conservative economics. (Another of Mr. Knight's adherents was Mr. Shultz.)

A colleague once quipped that Mr. Wallis was so conservative that he made Milton Friedman look like Rosa Luxembourg, the fiery, post-World War I German revolutionary.

But while Mr. Wallis was at Rochester, the university awarded tenure to the distinguished Marxist historian Eugene Genovese, and under Mr. Wallis's stewardship the university maintained an open atmosphere free of some of the more violent incidents that disrupted other campuses in the late 1960s and early 1970s.

Bond Yields Rise on M-1 Report

By Michael Quint

New York Times Service

NEW YORK — The smaller-than-expected drop in the basic U.S. money supply reported Friday by the Federal Reserve disappointed many traders but was not alarming to economists.

"You can't really call this bad news," a trader said of the \$100-million decline in the M-1 money supply in the latest reporting week, "but it isn't the real positive development that some were hoping for."

Traders quickly reacted to the small money supply decline by cutting

U.S. Consumer Rates

For Week Ended July 23

Passbook Savings	5.50%
"All Saver's" Certificates	9.99%
4-Month Savings Certificates	12.75%
1-Year Savings Certificates	13.00%
2-Year Savings Certificates	13.25%
3-Year Savings Certificates	13.50%
4-Year Savings Certificates	13.75%
5-Year Savings Certificates	14.00%
6-Year Savings Certificates	14.25%
7-Year Savings Certificates	14.50%
8-Year Savings Certificates	14.75%
9-Year Savings Certificates	15.00%
10-Year Savings Certificates	15.25%

set by the Fed's growth targets. Despite the small decline and the \$500-million upward revision of the July 16 money data, the level of M-1 remains below the \$452.7 billion average for July that would be consistent with a 5% percent growth rate for 1982.

Fed officials set an M-1 growth target of 2% percent to 3% percent from the fourth quarter of 1981 to the fourth quarter of 1982, but they have said they want growth at the top end of the range while the economy is weak.

Despite the alarm of some traders, Craig Iaffa, a money market economist at Morgan Guaranty Trust, noted that M-1 was still within the Fed's annual growth target despite estimates earlier this year that it would be above target following an early July bulge.

"In the context of Volcker's remarks, I don't see any problem" from the latest money supply data, Mr. Iaffa said. Paul A. Volcker, chairman of the Federal Reserve Board, has testified in Congress that the Fed would tolerate temporary bulges in money supply even if they put M-1 above its growth target.

The big question is whether the markets have anticipated too much "easing" in the Fed's monetary policy, Mr. Iaffa said.

Nicholas Marone, a money market economist at the Bank of

U.S. CREDIT MARKETS

For Week Ended July 23

3-Month Treasury bills	11.25%
6-Month Treasury bills	11.75%
9-Month Treasury bills	12.25%
1-Year Treasury bills	12.75%
2-Year Treasury bills	13.25%
3-Year Treasury bills	13.75%
4-Year Treasury bills	14.25%
5-Year Treasury bills	14.75%
6-Year Treasury bills	15.25%
7-Year Treasury bills	15.75%
8-Year Treasury bills	16.25%
9-Year Treasury bills	16.75%
10-Year Treasury bills	17.25%

ing prices to the lowest levels of the day for short- and long-term Treasury issues. By late in the day, three-month Treasury bills were bid at 10.35 percent, up from 10.3 percent before the Fed's announcement, while six-month bills rose about an eighth of a percentage point to 11.15 percent.

Price declines were greater for Treasury notes and bonds, where the new 1 1/4 percent notes due in two years fell a point to an offered price of 100.2 to yield 13.11 percent, while the 14 percent bonds due in 2011 fell almost half a point, to an offered price of 105 1/4 to yield 13.28 percent. The lowest price for the long-term Treasury bond was 104 1/4 soon after the money supply announcement.

Economists had estimated that M-1 would fall about \$1.5 billion in the week ended July 14, and some traders were hoping that a decline of that magnitude would be followed by additional declines in short-term interest rates.

One reason why economists and others took the money supply data in stride is that the \$451.7 billion level of M-1 is still within the path

CURRENCY RATES

Interbank exchange rates for July 23, excluding bank service charges.

Currency	Rate	Currency	Rate	Currency	Rate	Currency	Rate	Currency	Rate
Australian \$	1.3500	Swiss franc	1.4800	West German mark	1.3600	Japanese yen	160.00	French franc	6.5500
Belgian franc	36.3600	Italian lira	1,375.00	Dutch guilder	3.8000	Spanish peseta	166.64	Portuguese escudo	200.48
British pound	1.9360	Irish pound	0.7875	Scandinavian currencies	—	—	—	—	—

Dollar Values

Currency	Rate	Currency	Rate	Currency	Rate	Currency	Rate	Currency	Rate
Australian \$	0.7408	Swiss franc	0.6756	West German mark	0.7463	Japanese yen	0.0062	French franc	0.1524
Belgian franc	0.0275	Italian lira	0.0007	Dutch guilder	0.2632	Spanish peseta	0.0060	Portuguese escudo	0.0050

(a) Commercial franc. (b) Amounts needed to buy one pound. (c) Units of 100. (d) Units of 1,000.

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Financial highlights

for the year ended 31st March 1982 (in US\$ 000's)*

	31 March 1982	31 March 1981
Total assets	600,216	308,280
Loan Portfolio	345,687	177,191
Deposits	172,518	112,148
Capital reserves	10,364	8,959
Profit after tax	1,138	670

*The above US Dollars are calculated by converting our audited balance sheets at the middle rate of the Belgian franc prevailing on the 31st March 1982.

SHAREHOLDERS

The Long-Term Credit Bank of Japan, Ltd. and its two subsidiaries	50%
The European Bank for International Cooperation	40%
Banco di Roma S.p.A.	10%
(through its subsidiary Banco di Roma International Holding S.A.)	10%
Banco Hispanico	10%
(through its subsidiary Banco Hispanico Americano Holding Luxembourg S.A.)	10%
Commerzbank AG	10%
Credit Lyonnais	10%
Other shareholders	10%

Kellogg's
\$75,000,000 debt restructuring.

The undersigned acted as advisor and guarantor to Kellogg Company in this transaction

Morgan Guaranty Trust Company of New York

June 1982

International Bond Prices—Week of July 22

Provided by White Wold Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston

[illegible]

DM STRAIGHT BONDS

[illegible][illegible][illegible][illegible]

-Explanation of Symbols-

Y	Yen
LFR	Luxembourg Franc
SPR	Swiss Franc
FF	French Franc

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Supply-Side Exodus Is Nearly Total

Shultz Arrival Underlines Return to Traditional Policy

By Ann Crittenden
New York Times Service

WASHINGTON — The newsletter sent out this month by the Council for a Competitive Economy, a libertarian business organization in Washington, was unequivocal: "It is saddest and most ominous that the cream of Reagan's administration is leaving or has already left," it said.

The roll call of presidential advisers who have left, the editor hinted, is a clue that the administration "is simply another disappointing detour on our road to secession."

Though more outspoken than most, this lament is heard widely in right-wing circles in Washington, and has to do with the exodus of most, if not virtually all, of the supply-side economic theorists who rode into power with Ronald Reagan a year and a half ago.

The list does not, however, include the departure announced Thursday of Murray I. Weidenbaum, chairman of the Council of Economic Advisers.

Mr. Weidenbaum, who will return to teaching, is a garden-variety conservative. The supply-siders who left ahead of him were not.

Gone, in the past six months, are Martin Anderson, the president's domestic policy adviser described as Mr. Reagan's principal conservative theorist, as well as Norman B. Ture and Paul Craig Roberts, the under-secretary and assistant secretary of the Treasury, respectively, and Steven H. Hanke, a senior economist from the Council of Economic Advisers.

Unlike traditional conservatives, all were associated with an ideological commitment to stimulating

the economy through tax cuts, a goal that took precedence over concern about the deficit's size.

They also advocated, like almost everyone in the Reagan administration, shrinking the government's size.

Their departures have prompted some to think that the administration has reached an intellectual watershed, underlined by the arrival as secretary of state of George P. Shultz, former labor secretary, Treasury secretary and budget director during the Nixon administration.

Economic policy has been returned to traditional conservatives, officials who are managers and pragmatists rather than theorists.

Mr. Hanke, who has returned to a teaching post at Johns Hopkins University, said, "What you have now in the White House is the Nixon-Ford administrations without Nixon or Ford."

There remains, of course, Mr. Reagan, who may be the last ardent supply-sider left in the White House.

He fought longest and hardest to protect the integrity of the supply-siders' grandest achievement, the three-year cut in federal income taxes legislated last summer.

He has refused repeatedly to delay the third installment of the tax cut scheduled for 1983, clinging to the hope that it, along with other tax changes introduced last year, will generate a buoyant recovery.

The top economic policymakers in the administration today, including Treasury Secretary Donald R. Regan, budget director David A. Stockman and new Mr. Shultz, are more attuned to orthodox Republican economics than to radical experiments in wiping taxes off the

books and reducing the size of government.

They think balancing the budget is an important policy objective and do not mind raising taxes to help get there.

Public 'Betrayed'

Mr. Ture, who went to the Heritage Foundation, a conservative research group, said that the current effort to raise revenues is a betrayal of what the public said it wanted in electing Mr. Reagan.

The revenue increases that Congress is considering now, he said, "will do nothing more than fund additional government outlays and reduce incentives for savings and investment."

Kevin P. Phillips, a commentator who recently published a book questioning the Reagan economic program, said, "We're seeing the failure of the first wave."

"From now on we'll see a moving away from the experimentalists and a turning back toward Alan Greenspan-Herb Stein-George Shulzism, to an update of traditional Republicanism, although any traditional approach has to be temporary in the kind of world we're in."

A key economic official, who asked not to be identified, described the resignations slightly differently.

He said, "Realism is replacing the euphoria of the post-inaugural period."

The last big policy victory by a supply-sider, apparently, was in January, when the president said no new excise taxes would be imposed.

Mr. Anderson, alone among the president's advisers had argued against new taxes.

He resigned shortly after that



Martin Anderson
... quit after victory

battle, even though he won. A few weeks later, after the Senate rejected his budget proposal for the fiscal year 1983, the president bowed to political pressures and came out in favor of increased taxes.

The administration now is backing the congressional budget resolution calling for \$21 billion in new taxes in fiscal year 1983 and is supporting almost \$100 billion in increased taxes over the next three years.

The rationale is that unless such revenue-raising measures are adopted, budget deficits, and with them interest rates, will balloon.

Mr. Ture said, "Congress and maybe the administration just found it too difficult to cut spending further and have given up."

One victor is Mr. Stockman, who abandoned his early enthusiasm with supply-side fiscal stimulus and began arguing the case for raising new revenues last fall.

By most accounts, Mr. Stockman, after the embarrassment caused by the Atlantic article in which he voiced doubts about supply-side economics, is again a key voice in economic policy, with the president's White House staff and Mr. Regan.

The arrival of Mr. Shultz, whose experience and stature in economic policymaking dwarf that of anyone else in Washington, will add another weighty voice to the chorus of prudence.

Mr. Shultz, who has been one of the president's chief economic advisers from outside government since before the election, is said to support scheduled tax cuts enacted last year.

But colleagues say that he does not share the supply-siders' nonchalance about deficits, and would like to see, among other things, more revenue raised from energy sources.

Italian Inaction Angers Eurobankers

By Carl Gewirtz
International Herald Tribune

PARIS — Tempers flared last week as Eurobankers privately began threatening to boycott future loans to Italian borrowers and to cut existing lines to Italian banks unless the Italian authorities prod the domestic banking consortium seeking to save Banco Ambrosiano to extend its ministrations to Banco Ambrosiano Holdings.

Even central bankers were outraged.

"I have much understanding for the Bank of Italy when it does not give a formal guarantee for a holding company," Fritz Leutwiler, president of the Swiss National Bank, said in a telephone interview. "What I do not understand is that they said, more or less, that they couldn't care less. That goes too far."

"I'm still hoping that the Bank of Italy will come back to form a decision, perhaps when it's clear what the commitments really are, and what the assets are. ... You can't say, 'We just don't care.'"

BAH, a Luxembourg-based holding company in which Ambrosiano directly holds 70 percent, is currently in the hands of a Luxembourg court-appointed administrator. At the last tally in June, 1981, BAH owed some \$540 million in medium-term debts to an array of banks believed to number more than 250. Officials believe that the figures have not changed substantially since then.

Thrown into Default

These loans were all thrown into default when Midland Bank on July 12 declared default on the \$40-million loan for which it is agent when it failed to receive payment of interest and principal.

The Bank of Italy argues that BAH is a financial holding company, not a bank, and therefore not covered by the so-called Basel Concordat, a 1974 statement of principle by leading central banks on how to divide supervisory responsibility of banks operating internationally.

A key Concordat paragraph reads: "The supervision of solvency (adequate capital to meet obligations) of foreign branches should be essentially a matter for the parent authority. In the case of subsidiaries, while primary responsibility lies with the host authority, parent authorities should take account of the exposure of their domestic banks' foreign subsidiaries and joint ventures because of the parent banks' moral commitment in this regard."

The Concordat in no way commits central banks to help in any case and under any circumstances solve solvency problems of banks, although there is an implicit acceptance to assist with liquidity problems. But the Concordat does not attempt to define who is responsible for sorting out the troubles of a problem bank — an omis-

sion that obviously needs to be remedied.

Because it is a holding company and not a bank, BAH did not fall under the supervisory authority of the Luxembourg Banking Commission. But the Bank of Italy's attitude to BAH has created considerable consternation among central bankers as a violation of the spirit of the Basel Concordat.

Despite the threats of commercial bankers, dealers active in the deposit market insist they have seen no evidence of any backlash against Italian banks.

SYNDICATED LOANS

And this week, on Thursday, bankers will have a chance to discuss the situation with the administrators of the parent Milan bank at a meeting in London scheduled to start at 3 p.m. That late start is obviously designed to keep the meeting short and sweet.

What is irritating bankers is not so much the money involved — it amounts to a relatively insignificant \$2.2 million each on average — but rather the shattering of some cherished assumptions which, if not repaired, could have vast nasty repercussions on the hundreds of billions of dollars of other Euro-market loans.

The common element of these assumptions is that perceived moral obligations are as good as legal undertakings — a view that may be contributing generally to blurring bankers' assessments of credit worthiness.

One such assumption is that lending to a subsidiary, a separate legal entity, is as good as lending to a branch, an integral part of the parent bank, because the subsidiary bears the same name as the parent.

Another assumption is that "letters of comfort," which express a commitment to support or stand behind an undertaking as good as guarantees that can stand up in a court of law.

Bankers' belief in moral obligations led them to overlook to Eastern Europe in the confident expectation that the Soviet Union would never let any of its satellites mar the financial standing of the bloc. That myth was shattered last year, when Poland was forced to reschedule its 1981 debt. But the lesson of that experience was obviously not generalized.

Some bankers say the fury of BAH's creditors is aimed at putting maximum pressure on Italy to get the full cooperation of the Vatican in sorting out Ambrosiano's problems. The Vatican's bank, which is said to have given letters of comfort for loans at Ambrosiano's Latin American units, was associated with Michele Sindona whose Franklin National Bank in the United States and Banca Privata in Italy collapsed in the 1970s.

Others say the ferocity of the outcry is a reflection of bankers' increasing nervousness about the

overall credit and economic climate.

Bankers are also getting vexed with the Norwegian government, which has a 26-percent shareholding in Tofte Cellulose and an 88-percent stake in Sydvaranger, an iron ore mining operation in the far north of the country.

Tofte is said to be on the verge of collapse and some bankers are complaining that the former Labor government always stood behind any company in which it had a shareholding while the current Conservative government insists it is no different from any other shareholder and will not take the brunt of Tofte's bad management.

Foreign bankers say that their decision to lend to Tofte was based on their understanding that the government would stand behind the company. Now that the government has changed, the bankers are crying foul.

They also complain that Sydvaranger has let a petting operation in Emden, West Germany, go bust without honoring its completion guarantees, letters of comfort and other obligations.

Disputes such as these raise questions about what service the growing horde of lawyers active in the Euro-market actually perform. Continental bankers tell the story of a major U.K. bank calling a West German bank in the midst of the Falklands dispute with Argentina and requesting its pro rata share of the loan payments Argentina had made only to be told that there was no pro rata clause in the loan agreement.

'Back to Explicit'

Commenting on the sloppy procedures that have developed in the market, a former Eurobanker turned businessman says: "The days of counting on a name and not asking for a guarantee are over. The time has come for bankers to go back to explicit."

There was little new business launched last week.

Greek Public Power Corp.'s \$250 million financial package, comprised of a \$170-million Euro-credit, a \$50-million floating rate note and a sterling loan equivalent to \$30 million, was awarded to a syndicate of seven banks.

Interest on both the dollar and sterling loans will be set at half a point over the interbank rate. Although both loans run for nine years, the managers are expected to syndicate the transaction for only six to eight years and underwrite the remainder themselves.

The terms appear to represent an improvement for Greece. The central bank earlier this year paid a half-point margin for an eight-year loan. However, the much higher commissions charged for a floating rate loan, which is expected to be marketed as a private placement, mask a substantial improvement in commission payments to banks.

EEC Seeking New Talks on Steel

(Continued from Page 7)

would pursue an attempt to have the steel duties ruled illegal by the General Agreement on Tariffs and Trade, the international commercial system.

Under U.S. law, the European steel-producing countries could have stopped the duties from going into effect by reaching bilateral agreements with the United States before midnight Saturday.

Only Britain made a strong push for a bilateral agreement. Although all the ministers agreed to the exclusive mandate, Britain said it planned to continue efforts to reach a private solution with Washington.

West Germany's state secretary for industry, Otto Schleich, said the exclusive mandate given to the commission was a "clear" political move, to give it a firm basis from which to negotiate.

The commission would now work out technical details of its strategy with community experts and members of the loss-making steel industry, he said.

It would also start technical discussions with U.S. officials that would end by Aug. 6, by which time the community hoped to find a solution.

But it was not clear how differences over the U.S. market share and whether or not to include

pipes and tubes in a deal would be bridged.

Diplomats said the offer of a longer arrangement running until the end of 1985, the inclusion of special steels in any deal and limited concessions on market shares were among new elements the community was likely to use to coax a settlement.

But West Germany, hardly affected by the duties imposed on June 10, is adamant that its important pipe and tube exports should not be affected and the diplomats said the EEC would stick to its insistence that these be excluded.

U.S. findings on new charges against European steelmakers involving dumping rather than subsidies are due by Aug. 9. The talks face the added difficulty of trying

to resolve this issue and so preempt the Commerce Department decision.

The EEC will also have to try to persuade West Germany, the Netherlands and Luxembourg, whose exports were found to be little subsidized, to accept cuts without an overall settlement.

With a shrinking steel market underlying the conflict, some industry executives believe that a deal acceptable to both Europe and the United States cannot be worked out. Karl Thölke, sales director for West German steelmaker Klöckner, has said only an economic recovery could ease the situation.

The planned U.S. import duties, due to take effect Aug. 24, would cost European steelmakers millions of dollars.

Mexico Reports Surplus in Trade

MEXICO CITY — Mexico posted a trade surplus of \$650 million for the first half of 1982, against a \$1.13-billion deficit for the same 1981 period, due to a dramatic decline in imports.

Financial analysts attributed the fall in imports mainly to a 45-percent slide in the Mexican peso against the dollar since February.

The government said Friday that Mexico's imports for the 1982 first half fell to \$8.60 billion from \$11.63 billion in same period last year. Exports, mainly crude oil, also fell, to \$9.25 billion from \$10.50 billion.

Cat Fights to Get Back on the Tracks

(Continued from Page 7)

when the domestic construction business slumped.

It has been particularly active in energy equipment, with products used in oilfield construction and development, and diesel engines that power remote drilling and production facilities.

More importantly, the company does more than half its business overseas, where its construction equipment is a basic need of developing countries. Last year, 56.6 percent of Caterpillar's record \$9.15 billion sales came from overseas.

John McGinty, an analyst at First Boston, estimated that demand for Caterpillar products overseas has dropped as much as 25 percent in the 1982 first half.

Stocks Reduced

Similarly, demand for Cat equipment in oilfields has slumped as sagging oil and gas prices have led oil companies to shrink their development budgets and oil-rich countries to scale back their modernization plans, cutting demand for Caterpillar earthmovers.

Mr. Morgan said, "We don't

have some offsetting geographical areas or product application areas that have sort of propped up our business as they have in the past."

Caterpillar officials have been working hard to tailor costs to the lower sales levels. Capital expenditures for 1982, originally pegged at \$750 million, have been reduced to \$600 million and the company has also moved to reduce inventories.

But Caterpillar's most visible cuts have come in its employment rolls.

In February, the company had only about 3,000 employees on indefinite layoff; subsequent layoffs, including the next round this fall, will put the total at 18,500 workers, most of them in Illinois, where Cat is the largest private employer.

Industry analysts give the company high marks for moving quickly to deal with its problems.

Mr. McGinty said, "They've done a magnificent job of cutting back on their costs, fixed and variable, and done an extremely good job of avoiding losses."

"Most companies with that kind of drop in demand would be losing money."

Analysts believe that Caterpil-

lar's lackluster \$9.7 million, 11-cent-a-share profit in the second quarter, a 94 percent drop from the year-ago quarter, is not indicative of future earnings, even though per share earnings this year will drop to about \$1.50 from last year's record \$6.44.

Eli Lustgarten, an analyst at Paine Webber, who is predicting 1983 profits of \$4.50 a share, said, "Cost-cutting and other things will make things look better in the second half."


Mr. McGinty said, "They could recover to \$3 or \$4 in 1983 without a big change in demand."

Mr. Morgan is confident that Caterpillar will come back strongly once interest rates subside and the world economy improves.

He said, "I remain optimistic about the fundamental needs which our company's products serve: energy, transportation, food and water, industrial development and things of that kind."

Even if the markets do not come back for years, Mr. Morgan said, Caterpillar could keep operating profitably, although it eventually might have to make some permanent cuts in its size.

This announcement appears as a matter of record only



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Sales In					Net		Sales In		
100s	High	Low	Last	Ch'ge			100s	High	Low
171	113-16	1%	1%		FCntRE 1.36d		21	8%	
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Santa Fe International said that

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SPORTS

Hinault Captures Tour de France But Gains Few Friends En Route

By Samuel Abr

PARIS — Bernard Hinault easily won the Tour de France here Sunday, his fourth victory in five years of competition in the world's most prestigious bicycle endurance race, and answered complaints that he was riding colorfully by also capturing the final stage in a sprint finish.

The overall triumph by the 27-year-old Frenchman had been virtually certain since he took the lead on July 14, so certain that he has been criticized since then for a lack of panache — the flair needed to entice what has generally been a dull race.

Only Sunday morning, the Journal du Dimanche, a leading newspaper, asked why Hinault had not displayed panache, "the red cherry atop his mountain of whipped cream." Hinault responded by sprinting into the lead in the final 100 yards on the Champs-Élysées and holding off the rest of the pack, all furiously seeking the last victory possible after Daniel Williams of Belgium won the penultimate stage on Saturday.

Afterward, still breathless, Hinault was asked if he had won for the sake of panache. Predictably, he denied it. "I won because I didn't have the right to lose," he said.

Hinault, who races for the Renault-Gitane team, finished in an overall elapsed time of 92 hours 8 minutes 46 seconds since the 2,188-mile contest (3,500 kilometers) began July 2. Of the 169 riders who set out from Basel, Switzerland, 125 made it here.

Second in the overall finish, 6 minutes 21 seconds behind, was Joop Zoetemelk, a 36-year-old Dutchman with the Coop Mercier team. This was his sixth time Zoetemelk has finished second in the Tour de France, including three times behind Hinault. Zoetemelk has won the race once, in 1980, when he was the overwhelming favorite. "Only Hinault can beat Hinault," people said at the start in Basel.

Third in the standings, 9 minutes 7 seconds behind Hinault, was Johan van der Velde, a Dutchman with the Raleigh team. Peter Winnen, a Dutchman with the Capri Sonne team, was fourth and Phil Anderson, an Australian with the Peugeot team, was fifth.

Among other honors gained in this 69th Tour de France, Sean Kelly, an Irishman with the Sean Loire team, won the points championship, and the sprint competition. Bernard Vallet, a Frenchman with La Redoute, took the mountain climbers' championship, and Anderson was the top-rated racer under the age of 24.

Anderson led the race for the first week and a half, all across flat terrain, as Hinault stayed close behind. His team's strategy was to avoid the early pressure of having to defend the lead against the 16 other teams.

On July 14, not far from his native Brittany, Hinault made his move. He far outdistanced Anderson in an individual time trial and moved into first place just before a week in the Pyrenees and the Alps, where most riders falter. While his competition thinned out in the mountains, Hinault consolidated his overall winning margin.

\$20,000 Stipend
Victory brought him the major prize — a vacation studio worth about \$20,000 — in the tour's total bounty of about \$350,000, most of it distributed daily to each stage's leading riders and teams. These rewards maintain interest among those racers whose overall elapsed times put them so far behind the leader that they can compete only in each day's race within the race.

By taking home the overall leader's yellow jersey for another year, Hinault is now only one Tour de France victory shy of the record of five shared by Eddy Merckx and Jacques Anquetil. Dominating first from 1961 through 1964, also winning in 1967, Merckx triumphed from 1969 through 1972 and again in 1974.

Hinault also equaled the record held by Anquetil, Merckx and the legendary Fausto Coppi by capturing in the same year both the Tour de France and the Tour of Italy, known as the Giro. Coppi did this in 1949 and 1952. Anquetil in 1964 and Merckx in 1970, 1972 and 1974. An easy victor in Italy in June, Hinault also tried for the double in 1980 after winning the Giro, but strain and cold, rainy weather caused tendinitis and forced him to quit the Tour de France at the halfway point.

This year there was no problem with the weather, which has been hot and sunny, and Hinault had no difficulty winning the race in which he was the overwhelming favorite. "Only Hinault can beat Hinault," people said at the start in Basel.

Knowing How to Suffer
Instead he constantly demonstrated his strength, speed and ability to bear physical pain. "Knowing how to suffer," the riders put it. He finished fifth in the points championship, fifth in the sprint competition and fourth in the climbers' standings. Of the tour's 21 stages — another was canceled by a steelworkers' protest over unemployment — Hinault won four, twice that of any other rider. Three of his victories were in individual time trials, races against the clock, in which he overwhelmed the field and built his lead.

On the Champs-Élysées Sunday night, hundreds of thousands celebrated the victory by a Frenchman in the most popular of all French sports events. Hinault should be the most popular man in the country just now but the truth is that his victory will be more acclamated than the victor. Proud, combative and prickly, Hinault is widely respected but little liked.

"Hinault isn't very popular, that's true," Anquetil commented in the daily newspaper column he produces during the race, answering readers' questions. "The public prefers unsuccessful heroes or those who have to give everything to win. When a champion demonstrates so outrageously, you look for flaws."

Unhappy for Hinault, nobody has to look far. A month ago, after he dropped out of the French national championships, he exploded publicly against his fellow riders, the public and the press.

His anger has been evident the last few seasons, but not publicly expressed.

"I'm fed up with dragging the rest of the pack behind me," he said in a television interview, referring to the general reluctance to make a move before he does. A similar lack of attack was evident throughout the Tour de France, as he defended the race and causing Felice Gimondi, the former Italian champion, to say, "It's really a shame, Hinault has no rivalry, a shame for him because he would



Bernard Hinault

look better winning against better competition."

After criticizing the other riders in the interview, Hinault continued: "And the public is really bothering me with its remarks. It's not the public who pedals."

He later amplified this by saying, "In all other sports, the athletes are treated with more respect. With bike riders, everybody talks to us, asks for autographs, touches us up to the moment we start and from the moment we finish. This familiarity leads to sarcastic remarks, even nasty ones. All of a sudden, you've had enough."

Finally he turned to the press. "As for reporters, they wear me out with their questions."

The other riders have not answered him, except perhaps privately, but the public and the press have. Hinault has often drawn whistles during this tour. More bothersome than his critics have been his fans, who surround him at every finish, when he is gasping for air, and tend to paw him. "Some days, I ought to wear a vest with thumbtacks under my jersey, that's how I feel about slaps on the back."

As for the press, it has sometimes been brutal, especially in the French daily sports newspaper, L'Equipe, which described his interview as "a small masterpiece of the hateful and the stupid."

"One good thing came of it," L'Equipe added in an editorial. "In the eyes of the general public, Bernard Hinault is revealed for what he is: a great champion but a small man."

Since then, L'Equipe, the primary sponsor of the race, has kept the pot boiling, most recently with a columnist's "open letter," telling Hinault that his behavior had lost him an admirer.

He has also kept some, notably Anquetil, who was also known for his pride and seeming aloofness as a dominating cyclist. "He's in there fighting at each finish and people reproach him for not winning every time," Anquetil wrote about Hinault. "I totally agree with his attitude. In cycling, being calculating doesn't always have a bad meaning."

Raphaël Geminiani, a former top cyclist and team manager and now a television commentator in France, agrees. "Hinault permitted himself to win the Tour in the 100 miles of individual time trials. He knew that his winning margin there would be enough. For me, that's pretty smart."

And then there is the school of thought exemplified by Gerrie Knetemann, the Dutch rider who beat Hinault once in a time trial this year. "The French don't like winners," Knetemann has said. "It won't take Hinault long to become unpopular — just let him win one or two more Tours de France."

Knetemann spoke in 1980 and since then Hinault has indeed won the Tour de France two more times.

The Badger
Hinault himself remains unrepentant — his nickname. The Badger, was given to him a few years ago by an opponent, Yves Héard, because of his tenacity. "Don't you think you're making yourself unpopular with these outbursts?" Hinault was asked. "I don't care," he answered. "I compete to win races, not to please."

To charges before Sunday's finish that he had not shown panache, he responded: "What good are legends? What good does it do if I win by 10 or 15 minutes instead of by six. The oldtimers, yesterday's champions, they had panache. But I race to last, not to finish broken. If I can do it, I do it, but I'm not going to kill myself. I'm not suicidal."

"Certainly I have pride," he has also said. "But that's not enough to win. You also need character and stubbornness. I always remember that I tried four times to win the world championship, and failed, before I could succeed. What keeps me going is that I understand myself."

"I'm a winner — everybody knows that. But I also know how to lose. Accepting defeat is a kind of wisdom."

In St. Louis, Tito Landrum's run-scoring double and Mike Ramsey's two-run single were the heart of a four-run St. Louis rally in the fourth inning that gave Bob Forsch (10-5) a 1-1 decision over Houston's Bob Knepper (4-11) although Houston outbatted the winners, 11-5.

Meats 4, Padres 3
In San Diego, Bob Bailor's surprise two-out bunt single in the sixth inning broke a 1-1 tie and led to a 4-1 victory over the Padres.

Giants 5, Expos 2
In Washington, the Giants defeated the Expos 5-2.



René Arnoux taking the checkered flag at the French Grand Prix.

Arnoux Wins French Grand Prix

United Press International

LE CASTELLET, France — René Arnoux of France, ignoring an order from the Renault team to let his teammate Alain Prost take him with just 12 laps remaining, drove to a comfortable victory in the French Formula One Grand Prix auto race Sunday.

Amoux, 34, received instructions to let Prost take the lead on the 42d of the 54 laps because Prost is better placed in the world championship standings.

"I was having a lot of vibration in the front suspension and was scared of having to come in to change wheels," Arnoux said afterward. "So there was no way I would run the risk of slowing down."

"Besides, Didier Pironi was pushing Prost hard for second place and, anyway, I still have hopes for the championship this year. I am pretty upset about it all."

As expected on the high-speed Paul Ricard circuit at Castellet, the turbocharged cars had a field day with their greater power. So did the French drivers on their home ground.

Pironi and his Ferrari teammate, Patrick Tambay, took third and fourth places to give the top four spots to four Frenchmen in four turbocharged cars.

At first the move paid off, with Arnoux moving from fourth place on the starting grid, past Pironi, Prost and Arnoux and into the lead.

But Prost's motor caught fire on the ninth lap and he was forced to abandon.

Piquet immediately roared into the lead in his lighter and therefore faster car, but his engine also blew, on the 24th lap.

There was a spectacular crash on the 20th lap when Jochoe Mass of West Germany, in a March, and Mauro Baldi of Italy in an Arrows

collided at the Signes curve coming out of the long back straight.

The two cars burst through the guard rails into the public. Neither driver was hurt but 12 spectators received second-degree burns and bad bruises. One person suffered a broken leg and a dislocated elbow.

There are five races left this season — at Hockenheim, West Germany on Aug. 8; at Zeltweg, Austria, on Aug. 15; the Swiss Grand Prix at Dijon in France on Aug. 29; at Monza in Italy on Sept. 12; and the Caesars Palace Grand Prix at Las Vegas on Sept. 26.

FRENCH GRAND PRIX
1. René Arnoux, France, Renault, 1:33:32.7.
2. Alain Prost, France, Renault, 1:33:39.0.
3. Didier Pironi, France, Ferrari, 1:34:15.3.
4. Patrick Tambay, France, Ferrari, 1:34:49.4.
5. Keke Rosberg, Finland, Williams, 1:35:02.7.
6. Michele Alboreto, Italy, Ferrari, 1:35:05.5.
7. Derek DeWitt, Ireland, Williams, one lap behind.
8. Villi Lusa, Austria, McLaren, one lap.
9. Bruno Giacomelli, Italy, Alfa Romeo, one lap.
10. Brian Henton, Britain, Tyrrell, one lap.

FORMULA ONE STAGINGS
1. Pironi, 39 points
2. John Watson, Britain, 30
3. Prost, 28
4. Lusa, 24
5. Rosberg, 23
6. Riccardo Patrese, Italy, 19
7. Nelson Piquet, Brazil, 17
8. Elia de Angelis, Italy, 12
9. Arnoux, 12
10. Alboreto, 11

U.S., West Germany Reach Final
The Associated Press

SANTA CLARA, Calif. — Martina Navratilova, responding to the roars of an American crowd, charged back from a second-set wipeout to lead the United States into the final of the Federation Cup tennis tournament with a 6-4, 6-1 triumph Saturday over Hana Mandlikova, a former compatriot. Chris Evert-Lloyd, meanwhile, topped Helena Sukova, 6-1, 6-2.

The U.S. women, seeking their seventh straight championship, were to take on the teen-aged West Germans in the title match Sunday.

Bettina Bunge, 19, clinched the West German upset of Australia Saturday night with a 6-3, 7-6 triumph over Evonne Cawley, 17, beat Dianne Fromholtz, 4-6, 6-3, 6-2.

Navratilova, representing America for the first time since gaining her U.S. citizenship a year ago, came close to losing. Nothing seemed to go right for the world's top-ranked player in the second set against the fifth-ranked Mandlikova.

But just as Navratilova was on the verge of swooning, the cheers of the crowd revived her. Twice the crowd of more than 5,000 fans stood up with demonstrations of support for the former Czech.

Evert-Lloyd said at the beginning of this tournament that American crowds never fully support their own players, but that was not the case in this match.

Navratilova broke Mandlikova in the fourth game of the final set to take a 3-1 lead, then broke again

in the sixth game on a oct core that dropped for a winner. A final point oct cord skipped hard out of Mandlikova's reach as Navratilova served out the victory.

Sukova, whose late mother, Vera, was the 1962 Wimbledon runner-up and a former coach of Navratilova, had trouble with her serve most of the match.

Unable to charge the net behind her first serve, the 6-foot-1½-inch Czech was forced into baseline rallies with one of the game's best groundstrokes. Evert-Lloyd drilled shot after shot into the corners and within inches of the lines. Even Sukova's man-sized reach was not enough to get to them all.

After racing through the first set, Evert-Lloyd was broken at the start of the second set when Sukova dutifully placed a drop shot that Evert-Lloyd could barely reach. Neither player held service through the first four games.

Evert-Lloyd finally held at love to take a 3-2 lead and ran out the match against the increasingly frustrated Sukova.

Navratilova, who defeated from Czechoslovakia in 1975, said before the match she was annoyed with the comments Mandlikova had been making about her all week.

"Inside, she knows she is still a Czech," Mandlikova had said. "I don't know why she says those things," Navratilova said. "I'm an American now. I chose to live here. I do not feel like a Czech."

Navratilova holds a 5-3 advantage over Mandlikova since 1980. Navratilova lost to her in three sets in the semifinals at Wimbledon in 1981 but beat her in the semifinals at the French Open this year.

Evert-Lloyd and Navratilova teamed up in the doubles and coasted to a 6-3, 6-2 rout of Mandlikova and Sukova to give the Americans their fourth straight 3-0 sweep.

On Friday, the United States defeated Brazil; Australia eliminated the Soviet Union; Czechoslovakia beat Britain, and West Germany defeated Switzerland.

Chinese Player Believed Seeking Asylum in U.S.
United Press International

SANTA CLARA, Calif. — The best of the Chinese women tennis players has disappeared from the Federation Cup tournament here and may be seeking political asylum in the United States, according to David Gray, general secretary of the International Tennis Federation.

Gray said that Hu Na, 19, left her hotel room without her baggage Tuesday night after her roommate had gone to sleep. She has not been seen since, but officials reported an anonymous telephone call from a person who said she was a lawyer. The caller said that Hu, who speaks no English, was safe and would ask for asylum.

In Washington, the Department of State said the Chinese Embassy reported Hu's disappearance Wednesday and asked assistance in trying to locate her. The Chinese team flew home Saturday without her.

Transactions
BASEBALL
American League
DETROIT TIGERS—Picked Mike Wilcox, pitcher, on the 27-day disabled list effective July 19 and purchased the contract of Dave Gurnea, pitcher, from Evansville of the American Association.
NEW YORK YANKEES—Signed Timothy Lincecum, pitcher.
PORTLAND TRAIL BLAZERS—Picked Carl Boyer, center, on waivers.
FOOTBALL
National Football League
BALTIMORE COLTS—Released Greg Landry, quarterback. Waived Herb Ovis, defensive tackle.
CHICAGO BEARS—Signed Gary Johnson, defensive lineman, and Hassan Hasson, cornerback.
MIAMI DOLPHINS—Signed Joe Morris, linebacker, and Jeff Robinson, offensive tackle, to one-year contracts.
NEW ENGLAND PATRIOTS—Announced the retirement of "Big Boy" Hamilton, nose tackle. Signed Steve Sanders, quarterback.
NEW YORK GIANTS—Announced the retirement of Doug Kotter, running back. Picked Willie Corralis, linebacker, on the injured reserve list.
PITTSBURGH STEELERS—Picked Mark Malone, quarterback, on the physically unable to perform list. Announced the retirement of John Powers, guard.
SAN FRANCISCO 49ERS—Signed Joe Montana, quarterback, to a series of four one-year contracts through 1984.
TAMPA BAY BUCCANEERS—Waived Tony Samuels, tight end, and released David Clark, defensive end.
WASHINGTON REDSKINS—Waived Vince Rosowski, tight end, and George Lewis, linebacker.
HOCKEY
National Hockey League
ST. LOUIS BLUES—Signed Bernie Federko, forward, and Brian Sutter, forward.

Mariners 9, Indians 0
In Cleveland, Mike Moore threw a four-hitter for his first complete game in the majors and Bobby Brown hit a two-run homer to lead a 17-hit attack for Seattle as the Mariners shut out Cleveland, 9-0.

Tigers 3, Rangers 1
In Detroit, Alan Trammell and Tom Brookens hit sacrifice flies in the third inning. Jerry Turner provided insurance with a home run in the sixth and Larry Pashnick turned in his first complete game in the majors as Detroit won, 3-1, over Texas.

Twins 5, Red Sox 3
In Bloomington, Minn., Len Faedo, a rookie reserve shortstop, hit a two-run homer and Gary Ward hit a run-scoring double during Minnesota's three-run seventh inning, helping the Twins to a 5-3

SPORTS BRIEFS

Lewis Records 2d-Best Long Jump

INDIANAPOLIS — Carl Lewis, the 21-year-old sprinter and long-jumping star, continued his quest Saturday night for what once appeared to be the only record that was not made to be broken — Bob Beamon's long-jump mark of 29 feet 2½ inches.

After four jumps that were ruled as fouls at the National Sports Festival, Lewis leaped 28-9, the second-longest jump in history. He had made the previous second-longest jump, 28-¾, last June.

"I came here to try and set the world record," Lewis said. "That's what I wanted to do. I didn't, but I think I at least have some believers now."

Briton Beats Walker in 800 Meters

LONDON — Peter Elliot, a 19-year-old Briton, overpowered John Walker of New Zealand to win the 800 meters title Sunday in the British Amateur Athletics Championships at Crystal Palace. His time was 1:45.61.

Elliot won his race from the front, kicking away from the late challenge of the 30-year-old Walker (1:46.10), and third-placed compatriot Chris McGeorge (1:46.30).

Overseas runners dominated the 400 meters hurdles, with victory going to James King of the United States in 50.25 seconds. Gary Brown of Australia was second in 50.85.

Takao Sakamoto and Takashi Katamine, both of Japan, cleared 2.24 meters to finish first and second, respectively, in the high jump. Tomomi Takahashi cleared 5.51 meters in the pole vault, while Junichi Usui won the long jump with a leap of 7.94 meters.

NFL Players Warn of Job Action

WASHINGTON — After negotiations between National Football League players and owners ended Friday with no progress, representatives for the players union said they have not ruled out a job action, including a possible strike, before Sept. 8 to show solidarity over their contract demands.

Mark Murphy of the Redskins, a player representative, said the owners will test union strength during the summer. "Jack Donlan [executive director of the NFL's management council] will be testing our strength between now and Sept. 8. It is in our best interest to show him before then," Murphy said.

Ed Garvey, executive director of the NFL Players Association, said that job action is being considered by the union and that a spot strike of an exhibition game this summer "has not been ruled out."

Friday's session centered on a management proposal to test players for drug and alcohol dependence, which Garvey characterized as an illegal subject of bargaining. "We choose not to discuss the subject further," he said. Donlan described the meeting as "less than acrimonious," adding that the union representatives "made it clear they were unilaterally opposed to drug testing. We're at loggerheads on that issue."

UCLA to End Play at Coliseum

LOS ANGELES — UCLA is ending its 52-year link with the Coliseum stadium, which also serves as the home field for the University of Southern California and now the NFL Raiders. UCLA will play its home football games at the Rose Bowl in Pasadena starting this fall.

Chancellor Charles Young, angered by the terms of the Coliseum Commission's agreement with the relocated Raiders franchise, announced the decision Friday. The university feared it would lose considerable revenue from the elimination of between 1,300 and 2,000 seats so that the Raiders could install 150 luxury boxes along the rim of the stadium. The Rose Bowl is 24 miles from the UCLA campus, 10 miles further than the centrally located Coliseum.

The move was immediately criticized by student body president Bobby Grace, who maintained the Raider issue was used as an excuse to complete a long-contemplated move. "It is no secret that select members of the UCLA community do not like visiting south-central Los Angeles for Saturday afternoon games," Grace said. "The area is economically disadvantaged and, therefore, suffers from a high crime rate. It is our contention that this university has a responsibility to be a solution to the problem rather than running away from it."

Mancini Retains Lightweight Crown

WARREN, Ohio — Ray Mancini retained his World Boxing Association lightweight championship Saturday with a sixth-round technical knockout of No. 1 ranked challenger Ernesto España of Venezuela.

Mancini, making his first title defense since winning the crown from Art Frias three months ago, did not lose a round in the judges' scoring before the referee stopped the fight with one second remaining in the sixth round.

Mancini raised his record to 24-1 and posted his 19th knockout. España's record fell to 34-5-1. It was España's fourth loss in five title fights. His one title victory was over Claude Noel in 1979 when they fought for the vacant title.

Lendl, Noah, Clerc, Arias in Semis

WASHINGTON — Ivan Lendl of Czechoslovakia overpowered Rodney Harmon, 6-1, 6-1 Saturday to send the top seed into the semifinals of a Grand Prix tennis tournament.

In other quarterfinal action, 17-year-old Jimmy Arias of New York, defeated Eric Fromm, also of New York, 7-6, 6-3. Earlier Saturday, Yannick Noah of France defeated Van Winitsky of Miami 6-3, 6-1 and second-seeded José-Luis Clerc of Argentina scored a 2-6, 7-6, 6-1 triumph over Bernard Ziegler of France. The semifinal matchups Sunday feature Lendl versus Noah, and Arias against Clerc.

In Kitzbühel, Austria, Guillermo Vilas of Argentina defeated Marcos Hocesar of Brazil 6-0 Sunday, 7-6, 6-1, to win the Austrian Open. Virginia Ruzici of Romania won the women's title with a 6-2, 6-2 victory over Lea Pichova of Czechoslovakia. To reach the final, Vilas defeated José Higueras on Saturday, 7-5, 7-5, while Hocesar defeated Pavel Slozil, 6-4, 7-6.

And in Hilversum, the Netherlands, Balazs Taroczy defeated Buster Mottram in Sunday's final of the Dutch Open, 7-6, 6-7, 6-3, 7-6.

Borg, Connors Gain Exhibition Final

LOS ANGELES — Bjorn Borg and Jimmy Connors defeated their two competitors in an exhibition tournament Saturday and will compete Sunday for a \$50,000 first prize.

Borg, 26, defeated Vitas Gerulaitis 6-2, 7-6, and Connors, who is the second-ranked tennis player in the world, beat Sandy Mayer 6-2, 7-5 in the opening match of the two-day tournament at the Industry Hills Tennis Club. Connors and Borg advanced to the final day of play and will compete in a best-of-five set final match.

"I was very pleased with the way I played today," Borg said. "Actually I was a little surprised. I thought I'd have a lot of problems, but the only one I had was with my confidence because of a long layoff. It's nice to be back. I miss the crowds. I miss the tennis." Borg, who is the 18th-ranked tennis player, holds a 15-8 lifetime record over Connors, including victories in their last 11 meetings.

South Africans Win Rugby Finale

JOHANNESBURG — Flitting on 18 points in the last six minutes, South Africa romped to a 35-19 victory over an Irish-led team of European rugby stars Saturday in a festival match completing the official inauguration of 70,000-seat Ellis Park stadium.

Center Errol Tobias, one of four non-whites in the semi-official South African team, scored two tries, as did fellow center Danie Gerber. Flankers Pompiers Williams got a try and flyhalf Naas Botha kicked three penalties and three conversions.

For Fergus Slattery's Europeans, Serge Blanco of France and Gareth Davies of Wales scored tries, and England's Dusty Hare kicked three penalties and a conversion.

Peete Holds Lead in PGA Tourney

WILLIAMSBURG, Va. — Calvin Peete shot a 3-under-par 68 Saturday for a two-shot lead after the rain-interrupted second round of a PGA tournament here.

Peete, shooting bogeyless golf with an 8-under 134 total, was one of 90 golfers still on the course when rain delayed play Friday. He played the final 15 holes Saturday in two under par and leads Bill Rogers, 70-136, and Rick Massengale, 68-136, by two shots.

Shrtened to 54 holes, the tournament will finish with 18 holes Sunday.

Daniel Leads Women's Open Golf

SACRAMENTO, Calif. — Beth Daniel shot her third consecutive 1-under-par 71 Saturday to overtake JoAnne Carner by a stroke after three rounds in the U.S. Women's Open golf championship.

Daniel, the 1979 LPGA Rookie of the Year, carded a two-birdie, one-bogey round on the 6,342-yard Del Paso Country Club Course. Carner, 43, was leading going into the third round by three strokes, but she bogeyed five holes and birdied two for a 3-over-par 75 and a 214 total.

Major League Standings

NATIONAL LEAGUE				
	East			
	W	L	Pct.	GB
Pittsburgh	53	41	.564	—
St. Louis	54	42	.563	—
Pittsburgh	49	44	.522	3½
Montreal	49	45	.521	4
New York	44	51	.463	9½
Chicago	40	58	.406	15
	West			
	W	L	Pct.	GB
Atlanta	57	34	.623	—
San Diego	52	43	.547	6
Los Angeles	44	44	.500	8
San Francisco	45	51	.469	13½
Houston	41	53	.434	16½
Cincinnati	36	58	.383	22

